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WAYNE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

WAYNE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Wayne County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District as of and for the year ended June 30, 2011, 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, 2011, 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.

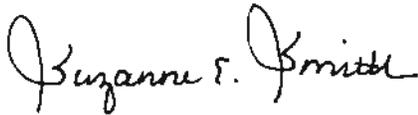
In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2012, on our consideration of the Wayne County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wayne County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds

are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wayne County School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, 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, we do not express an opinion or provide any assurance on it.



Suzanne E. Smith, CPA

August 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2011

The following discussion and analysis of Wayne County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$17,819,312, including a prior period adjustment of \$417,353, which represents a 47% increase from fiscal year 2010. Total net assets for 2010 increased \$8,604,900, including a prior period adjustment of (\$335,712), which represents a 29% increase from fiscal year 2009.
- General revenues amounted to \$32,524,277 and \$30,472,264, or 70% and 77% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,402,128, or 30% of total revenues for 2011, and \$9,074,705, or 23% of total revenues for 2010.
- The District had \$29,524,446 and \$30,606,357 in expenses for fiscal years 2011 and 2010; only \$14,402,128 for 2011 and \$9,074,705 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$32,524,277 for 2011 and \$30,472,264 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$20,487,901 in revenues and \$20,019,501 in expenditures for 2011, and \$20,155,817 in revenues and \$20,826,083 in expenditures in 2010. The General Fund's fund balance increased by \$1,518,832, including a prior period adjustment of \$7,748 from 2010 to 2011, and increased by \$112,638, including a prior period adjustment of \$11,587, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$6,754,752 for 2011 and increased by \$612,617 for 2010. The increase for 2011 was due primarily to construction projects for new cafeterias at four school locations and storm shelters at all campuses.
- Long-term debt, including the liability for compensated absences and unamortized bond discount, increased by \$2,364,978 for 2011 and decreased by \$638,577 for 2010. This increase for 2011 was due primarily to the issuance of \$3,000,000 in qualified school construction bonds. The liability for compensated absences decreased by a net of \$11,245 for 2011 and decreased by \$10,624 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position 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 periods.

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2011

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

Fund Financial Statements

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

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Notes to the financial statements

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

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$56,132,616 as of June 30, 2011.

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

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Current assets	\$ 9,070,075	\$ 3,203,823	183.10%
Restricted assets	37,054,757	28,114,707	31.80%
Capital assets, net	<u>22,666,869</u>	<u>15,912,117</u>	42.45%
Total assets	<u>68,791,701</u>	<u>47,230,647</u>	45.65%
Current liabilities	3,127,338	1,750,574	78.65%
Long-term debt outstanding	<u>9,531,747</u>	<u>7,166,769</u>	33.00%
Total liabilities	<u>12,659,085</u>	<u>8,917,343</u>	41.96%
Net Assets:			
Invested in capital assets, net of related debt	15,741,372	9,106,589	72.86%
Restricted	38,175,804	28,422,000	34.32%
Unrestricted	<u>2,215,440</u>	<u>784,715</u>	182.32%
Total net assets	<u>\$ 56,132,616</u>	<u>\$ 38,313,304</u>	46.51%

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

- Increase in net capital assets in the amount of \$6,754,752.
- The issuance of \$3,000,000 in qualified school construction bonds.
- The principal retirement of \$627,719 of long-term debt.
- The increase in current assets of \$5,866,252, resulting primarily from the receipt of oil royalties earned on 16th section lands.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$46,926,405 and \$39,546,969, respectively. The total cost of all programs and services was \$29,524,446 for 2011 and \$30,606,357 for 2010.

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 2
Changes in Net Assets

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,430,766	1,503,211	(4.82) %
Operating grants and contributions	6,776,745	6,697,860	1.18 %
Capital grants and contributions	6,194,617	873,634	609.06 %
General revenues:			
Property taxes	4,238,936	3,400,834	24.64 %
Grants and contributions not restricted	17,392,394	17,692,045	(1.69) %
Investment earnings	1,272,903	1,297,513	(1.90) %
Sixteenth section sources	9,563,875	8,043,563	18.90 %
Other	56,169	38,309	46.62 %
Total revenues	<u>46,926,405</u>	<u>39,546,969</u>	18.66 %
Expenses:			
Instruction	16,350,456	17,806,828	(8.18) %
Support services	10,516,381	10,214,911	2.95 %
Non-instructional	2,051,032	2,047,177	0.19 %
Sixteenth section	298,751	206,938	44.37 %
Interest on long-term liabilities	307,826	330,503	(6.86) %
Total expenses	<u>29,524,446</u>	<u>30,606,357</u>	(3.53) %
Increase (decrease) in net assets	<u>17,401,959</u>	<u>8,940,612</u>	94.64 %
Net assets, July 1, as originally reported	<u>38,313,304</u>	<u>29,708,404</u>	28.96 %
Prior Period Adjustment	<u>417,353</u>	<u>(335,712)</u>	224.32 %
Net assets, July 1, as restated	<u>38,730,657</u>	<u>29,372,692</u>	31.86 %
Net assets, June 30	<u>\$ 56,132,616</u>	<u>\$ 38,313,304</u>	46.51 %

Governmental activities

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

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2011	2010	
Instruction	\$ 16,350,456	\$ 17,806,828	(8.18) %
Support services	10,516,381	10,214,911	2.95 %
Non-instructional	2,051,032	2,047,177	0.19 %
Sixteenth section	298,751	206,938	44.37 %
Interest on long-term liabilities	307,826	330,503	(6.86) %
Total expenses	\$ 29,524,446	\$ 30,606,357	(3.53) %

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (11,823,579)	\$ (13,837,694)	(14.56) %
Support services	(3,075,721)	(7,541,463)	(59.22) %
Non-instructional	208,195	185,331	12.34 %
Sixteenth section	(123,387)	(7,323)	1,584.92 %
Interest on long-term liabilities	(307,826)	(330,503)	(6.86) %
Total net (expense) revenue	\$ (15,122,318)	\$ (21,531,652)	(29.77) %

- Net cost of governmental activities [(\$15,122,318) for 2011 and (\$21,531,652) for 2010] was financed by general revenue, which is primarily made up of property taxes (\$4,238,936 for 2011 and \$3,400,834 for 2010) and state and federal revenues (\$17,392,394 for 2011 and \$17,692,045 for 2010). In addition, there was \$9,563,875 and \$8,043,563 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$1,272,903 for 2011 and \$1,297,513 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$43,022,257, an increase of \$13,406,040, which includes a prior period adjustment of \$405,063 and an increase in inventory of \$11,562. \$2,545,921 or 6% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$40,476,336 or 94% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2011

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,518,832, including a prior period adjustment of \$7,748. The fund balance of Other Governmental Funds showed an increase in the amount of \$2,709,503, which includes an increase in reserve for inventory of \$11,562. This increase in fund balance in Other Governmental Funds is due primarily to the issuance of \$3,000,000 in qualified school construction bonds during the middle of the fiscal year. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
16th Section Interest Fund	\$ (15,548)
Storm Shelter Grant Fund	no change
16th Section Principal Fund	\$ 9,193,253

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$33,383,340, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and leased property under capital lease. This amount represents an increase of \$7,429,890 from 2010. Total accumulated depreciation as of June 30, 2011, was \$10,716,471 and total depreciation expense for the year was \$706,040, resulting in total net capital assets of \$22,666,869.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 98,257	\$ 88,257	11.33 %
Construction in progress	8,359,537	1,052,051	694.59 %
Buildings	10,747,016	11,051,665	(2.76) %
Building improvements	1,775,542	1,892,646	(6.19) %
Improvements other than buildings	111,606	123,129	(9.36) %
Mobile equipment	1,207,996	1,363,325	(11.39) %
Furniture and equipment	263,712	233,273	13.05 %
Leased property under capital lease	103,203	107,771	(4.24) %
Total	<u>\$ 22,666,869</u>	<u>\$ 15,912,117</u>	42.45 %

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

WAYNE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2011

Debt Administration. At June 30, 2011, the District had \$9,531,747 in outstanding long-term debt (after taking into account \$27,594 of unamortized bond discount), of which \$644,153 is due within one year. The liability for compensated absences decreased \$11,245 from the prior year. The District issued \$3,000,000 in qualified school construction bonds. The district made other principal payments on long-term debt of \$627,719.

The District maintains a bond rating of AA-.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ 3,590,000	\$ 4,030,000	(10.92) %
Three mill notes payable	2,605,000	2,765,000	(5.79) %
Qualified school construction bonds	3,000,000	-	N/A %
Obligations under capital lease	14,345	42,064	(65.90) %
Compensated absences payable	349,996	361,241	(3.11) %
Less: Unamortized bond discount	(27,594)	(31,536)	(12.50) %
Total	\$ 9,531,747	\$ 7,166,769	33.00 %

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

CURRENT ISSUES

The Wayne County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District is proud of its community support of the public schools and is enjoying a steady enrollment and continued academic progress of its students.

Enrollment for the 2010-2011 year decreased by 2% to 3,637 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

WAYNE COUNTY SCHOOL DISTRICT

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Wayne County School District

Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,057,876
Due from other governments	1,892,842
Inventories	23,799
Deferred charges	19,515
Other receivables	76,043
Restricted assets	37,054,757
Capital assets, net of accumulated depreciation	22,666,869
Total Assets	68,791,701
Liabilities	
Accounts payable and accrued liabilities	2,969,458
Interest payable on long-term liabilities	44,278
Unearned revenue	51,227
Other payables	62,375
Long-term liabilities, due within one year:	
Capital related liabilities, net of unamortized discount	635,403
Non-capital related liabilities	8,750
Long-term liabilities, due beyond one year:	
Capital related liabilities, net of unamortized discount	8,546,348
Non-capital related liabilities	341,246
Total Liabilities	12,659,085
Net Assets	
Invested in capital assets, net of related debt	15,741,372
Restricted for:	
Expendable:	
School-based activities	1,229,501
Debt service	765,802
Forestry improvement	239,231
Unemployment benefits	80,914
Non-expendable:	
Sixteenth section	35,860,356
Unrestricted	2,215,440
Total Net Assets	\$ 56,132,616

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

Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 16,350,456	931,486	3,595,391		(11,823,579)
Support services	10,516,381		1,246,043	6,194,617	(3,075,721)
Non-instructional	2,051,032	323,916	1,935,311		208,195
Sixteenth section	298,751	175,364			(123,387)
Interest on long-term liabilities	307,826				(307,826)
Total Governmental Activities	\$ 29,524,446	1,430,766	6,776,745	6,194,617	(15,122,318)

General Revenues:

Taxes:

General purpose levies	3,945,847
Debt purpose levies	293,089

Unrestricted grants and contributions:

State	15,500,364
Federal	1,892,030
Unrestricted investment earnings	1,272,903
Sixteenth section sources	9,563,875
Other	56,169

Total General Revenues 32,524,277

Change in Net Assets 17,401,959

Net Assets - Beginning, as originally reported 38,313,304
Prior Period Adjustments 417,353

Net Assets - Beginning, as restated 38,730,657

Net Assets - Ending \$ 56,132,616

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

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2011

	Major Funds						Total Governmental Funds
	General Fund	16th Section Interest Fund	Storm Shelter Grant Fund	16th Section Principal Fund	Other Governmental Funds		
Assets							
Cash and cash equivalents	\$ 2,246,486	1,223,741		5,311,135	3,587,649		12,369,011
Cash with fiscal agents				2,085,792			2,085,792
Investments				28,902,821	457,415		29,360,236
Due from other governments	756,650		680,706		753,080		2,190,436
Due from other funds	2,660,974	9,940		15,026	122,483		2,808,423
Advances to other funds				448,945			448,945
Inventories					23,799		23,799
Total assets	5,664,110	1,233,681	680,706	36,763,719	4,944,426		49,286,642
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	756,667	65,456		131,201	313,096		1,266,420
Due to other funds	125,082	1,068,926	505,499	772,162	280,309		2,751,978
Advances from other funds	448,945						448,945
Revenue anticipation notes payable	1,500,000						1,500,000
Retainage payable			175,207		27,831		203,038
Unearned revenue	150	25,525			25,552		51,227
Other payables					42,777		42,777
Total Liabilities	2,830,844	1,159,907	680,706	903,363	689,565		6,264,385
Fund Balances:							
Nonspendable:							
Inventory					23,799		23,799
Permanent fund principal				35,860,356			35,860,356
Restricted:							
Debt service					810,080		810,080
Capital projects					2,256,254		2,256,254
Forestry services					239,231		239,231
Unemployment benefits					80,914		80,914
Grant activities					844,583		844,583
Other activities		73,774					73,774
Assigned							
Student activities	287,345						287,345
Unassigned	2,545,921						2,545,921
Total Fund Balances	2,833,266	73,774	0	35,860,356	4,254,861		43,022,257
Total Liabilities and Fund Balances	\$ 5,664,110	1,233,681	680,706	36,763,719	4,944,426		49,286,642

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

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Exhibit C-1

Total fund balances for governmental funds \$ 43,022,257

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

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

Land	\$	98,257	
Construction in progress		8,359,537	
Buildings		16,799,631	
Building improvements		2,604,989	
Improvements other than buildings		288,072	
Mobile equipment		3,614,242	
Furniture and equipment		902,722	
Leased property under capital lease		715,890	
Accumulated depreciation		<u>(10,716,471)</u>	22,666,869

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

Limited obligation refunding bonds	\$	(3,590,000)	
Three mill notes payable		(2,605,000)	
Obligations under capital lease		(14,345)	
Qualified school construction bonds		(3,000,000)	
Compensated absences payable		(349,996)	
Accrued interest payable		(44,278)	
Unamortized bond premium		27,594	
Deferred charges		<u>19,515</u>	(9,556,510)

Net assets of governmental activities \$ 56,132,616

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

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

Exhibit D

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	Storm Shelter Grant Fund	16th Section Principal Fund			
Revenues:							
Local sources	\$ 4,995,932					658,113	5,654,045
State sources	14,543,308					1,781,854	16,325,162
Federal sources	948,661		6,194,618			6,895,316	14,038,595
Sixteenth section sources		1,054,759		9,666,562		186,894	10,908,215
Total Revenues	20,487,901	1,054,759	6,194,618	9,666,562		9,522,177	46,926,017
Expenditures:							
Instruction	11,384,885					5,063,561	16,448,446
Support services	8,497,656					1,428,045	9,925,701
Noninstructional services	46,044					2,000,607	2,046,651
Sixteenth section		66,407		108,402		123,942	298,751
Facilities acquisition and construction	31,510		6,519,363			756,613	7,307,486
Debt service:							
Principal	27,719					600,000	627,719
Interest	31,687					276,180	307,867
Total Expenditures	20,019,501	66,407	6,519,363	108,402		10,248,948	36,962,621
Excess (Deficiency) of Revenues over (under) Expenditures	468,400	988,352	(324,745)	9,558,160		(726,771)	9,963,396
Other Financing Sources (Uses):							
Proceeds of qualified school construction bonds						3,000,000	3,000,000
Insurance loss recoveries	25,631						25,631
Sale of property	388						388
Operating transfers in	1,818,900		324,745			477,490	2,621,135
Operating transfers out	(802,235)	(1,003,900)		(762,222)		(52,778)	(2,621,135)
Total Other Financing Sources (Uses)	1,042,684	(1,003,900)	324,745	(762,222)		3,424,712	3,026,019
Net Change in Fund Balances	1,511,084	(15,548)	0	8,795,938		2,697,941	12,989,415
Fund Balances:							
July 1, 2010, as original reported	1,314,434	89,322	0	26,667,103		1,545,358	29,616,217
Prior period adjustments	7,748			397,315			405,063
July 1, 2010, as restated	1,322,182	89,322	0	27,064,418		1,545,358	30,021,280
Increase (Decrease) in reserve for inventory						11,562	11,562
June 30, 2011	\$ 2,833,266	73,774	0	35,860,356		4,254,861	43,022,257

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

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 12,989,415**

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

1.	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay	\$ 7,483,881	
	Depreciation expense	<u>(706,040)</u>	6,777,841
2.	In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(35,379)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Issuance of qualified school construction bonds	\$ (3,000,000)	
	Payments of debt principal	627,719	
	Deferred charges associated with issuance of debt	20,908	
	Amortization of bond discount	(3,942)	
	Amortization of deferred charges	(1,393)	
	Accrued interest payable	<u>3,983</u>	(2,352,725)
4.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	11,245	
	Change in inventory reserve	<u>11,562</u>	<u>22,807</u>
	Change in net assets of governmental activities		<u>\$ 17,401,959</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

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 147,242
Due from other funds	19,598
Total Assets	<u>166,840</u>
Liabilities	
Accrued payroll/salary benefits payable	251
Due to other funds	76,043
Due to student clubs	90,546
Total Liabilities	<u>\$ 166,840</u>

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

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2011

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

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

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's non-fiduciary 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 of 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 definition 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, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly

WAYNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2011

benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The School District reports the following major governmental funds:

General Fund - This is the School District's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

16th Section Interest Fund - This special revenue fund accounts for the expendable revenues associated with earnings on sixteenth section lands.

Storm Shelter Grant Fund - This capital project fund accounts for the federal award revenues received through the United States Department of Homeland Security Emergency Mitigation Grant and the related expenditures associated with constructing storm shelters on all of the district's campuses.

16th Section Principal Fund - This is a permanent fund that accounts for the non-expendable revenues associated with earnings on sixteenth section lands and the investment earnings of these non-expendable resources.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This is a clearing fund used to clear payroll transactions flowing into an imprest clearing account.

Accounts Payable Clearing Fund - This is a clearing fund used to clear accounts payable transactions flowing into an imprest clearing account.

Student Club Funds - The District has student club funds that account for the assets and liabilities associated with student club activities.

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

FIDUCIARY FUNDS

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 inter-fund activity has been eliminated from the government-wide statements.

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

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

WAYNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2011

E. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the School District attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

F. Assets, liabilities, and net assets/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. qualified zone academy bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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 lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

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 by School District policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with School District policy. The District pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972). The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

WAYNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2011

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.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the District:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the official approval of the commitment spread upon the School Board's minutes. Currently there is no committed fund balance for the School District.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the School District business manager pursuant to authorization established by official School Board policy.

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

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

WAYNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2011

Note 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. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the School Board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,369,011 and \$147,242, respectively.

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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2011, none of the District's bank balance of \$14,059,952 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the School District's cash with fiscal agents held by financial institutions was \$2,085,792.

Investments

As of June 30, 2011, the District had the following investments.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities in Years</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities Money Market Mutual Funds	AAAm	Less than 1	\$ 457,415
U. S. Government Securities	AAA	6 to 10 years	5,982,695
U. S. Government Agency Bonds	AAA	1 to 5 years	1,053,042
U.S. Government Agency Bonds	AAA	6 to 10 years	8,046,203
U.S. Government Agency Bonds	AAA	11 to 15 years	1,321,088
U.S. Government Agency Bonds	AAA	21 to 25 years	570,824
U.S. Government Agency Bonds	AAA	26 to 30 years	6,977,788
U.S. Government Agency Bonds	AAA	31 to 35 years	4,951,181
Total Investments			\$ 29,360,236

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 Section 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 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 Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	16th Section Interest Fund	\$ 1,053,900
	Storm Shelter Grant Fund	505,499
	16th Section Principal Fund	772,162
	Other governmental funds	280,309
	Fiduciary funds	49,104
16th Section Interest Fund	General Fund	9,940
16th Section Principal Fund	16th Section Interest Fund	15,026
Other Governmental Funds	General Fund	95,545
	Fiduciary funds	26,938
Fiduciary Funds	General Fund	19,597
	Fiduciary funds	1
Total		<u>\$ 2,828,021</u>

The primary purposes of the interfund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows and to show the effects of board approved operating transfers and the resulting interfund balances caused by those approved transfers.

B. Advances To/From Other Funds

<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
16th Section Principal Fund	General Fund	<u>\$ 448,945</u>

Advances to/from other funds represent loans from the 16th 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 advances are also referred to as sixteenth section principal loans payable and bear interest at a rate of four (4) percent per year.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 44,794	17,960	62,754
2013	46,586	16,168	62,754
2014	48,450	14,305	62,755
2015	50,387	12,367	62,754
2016	52,403	10,351	62,754
2017-2020	<u>206,325</u>	<u>19,640</u>	<u>225,965</u>
Total	<u>\$ 448,945</u>	<u>90,791</u>	<u>539,736</u>

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Storm Shelter Grant Fund	\$ 324,745
	Other governmental funds	477,490
16th Section Interest Fund	General Fund	1,003,900
16th Section Principal Fund	General fund	762,222
Other governmental funds	General Fund	52,778
Total		\$ <u>2,621,135</u>

Transfers from the General Fund to the other governmental funds were made for operating purposes, while the transfers from certain other governmental funds to the General Fund were made to move indirect costs from the special revenue funds to the General Fund. Transfers from the 16th Section Interest Fund represent expendable revenues transferred during the year to the General Fund, while transfers from the 16th Section Principal fund represent interest income on investments earned and transferred during the year.

Note 4 – Restricted Assets

The restricted assets represent the cash balance (\$5,311,135), the cash with fiscal agents balance (\$2,085,792) and the investment balance (\$28,902,821) of the 16th Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the District's programs; the investment balance (\$457,415) and the amounts due from other governments (\$297,594) of the MAEP Debt Service Fund, which are legally restricted and may not be used for purposes that support the District's programs. Total restricted assets reported on the Statement of Net Assets is \$37,054,757.

Note 5 – Capital Assets

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

	Balance 7/1/2010	Increases	Decreases	Adjustments	Balance 6/30/2011
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 88,257	10,000			98,257
Construction in progress	1,052,051	7,307,486			8,359,537
Total non-depreciable capital assets	<u>1,140,308</u>	<u>7,317,486</u>	-	-	<u>8,457,794</u>
<u>Depreciable capital assets:</u>					
Buildings	16,799,631				16,799,631
Building improvements	2,630,875		(25,886)		2,604,989
Improvements other than buildings	288,072				288,072
Mobile equipment	3,574,144	40,098			3,614,242
Furniture and equipment	804,530	126,297	(63,080)	34,975	902,722
Leased property under capital lease	715,890				715,890
Total depreciable capital assets	<u>24,813,142</u>	<u>166,395</u>	<u>(88,966)</u>	<u>34,975</u>	<u>24,925,546</u>
<u>Less accumulated depreciation for:</u>					
Buildings	5,747,966	293,506		11,143	6,052,615
Building improvements	738,229	94,324	(3,106)		829,447
Improvements other than buildings	164,943	11,523			176,466
Mobile equipment	2,210,819	195,427			2,406,246
Furniture and equipment	571,257	106,692	(50,481)	11,542	639,010
Leased property under capital lease	608,119	4,568			612,687
Total accumulated depreciation	<u>10,041,333</u>	<u>706,040</u>	<u>(53,587)</u>	<u>22,685</u>	<u>10,716,471</u>
Total depreciable capital assets, net	<u>14,771,809</u>	<u>(539,645)</u>	<u>(35,379)</u>	<u>12,290</u>	<u>14,209,075</u>
Governmental activities capital assets, net	<u>\$ 15,912,117</u>	<u>6,777,841</u>	<u>(35,379)</u>	<u>12,290</u>	<u>22,666,869</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 46,563
Support services	644,544
Non-instructional	14,933
Total depreciation expense - Governmental activities	<u>\$ 706,040</u>

The capital assets above include significant amounts of Buildings, 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.

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
Administrative office annex	\$ 31,510	\$ 33,363
Storm shelters - all campuses	7,571,414	377,990
Cafeteria project - four campuses	756,613	1,820,814
Total governmental activities	<u>\$ 8,359,537</u>	<u>\$ 2,232,167</u>

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

The administrative office annex project is funded with General Fund resources, while the Storm shelter project is funded through future revenues of the Hazard Mitigation Grant (CFDA #97.039) and local matching funds. The Cafeteria project is funded through the proceeds of the Qualified School Construction Bond, issued December 1, 2010.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. Limited obligation refunding bonds payable	\$ 4,030,000		440,000	3,590,000	455,000
B. Three mill notes payable	2,765,000		160,000	2,605,000	170,000
C. Obligations under capital leases	42,064		27,719	14,345	14,345
D. Qualified school construction bonds	-	3,000,000	-	3,000,000	-
E. Compensated absences payable	361,241		11,245	349,996	8,750
Subtotal	7,198,305	3,000,000	638,964	9,559,341	648,095
Less: Unamortized Bond Discount	(31,536)		(3,942)	(27,594)	(3,942)
Total	\$ 7,166,769	3,000,000	635,022	9,531,747	644,153

A. Limited obligation refunding bonds payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the School District.

Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid capital improvement, Refunding Series 2007	3.70-3.86%	27-Feb-07	1-Nov-17	\$ 4,555,000	\$ 3,590,000
Total				<u>\$ 4,555,000</u>	<u>\$ 3,590,000</u>

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Limited obligation bond issue of February 27, 2007:

Year Ending June 30	Principal	Interest	Total
2012	\$ 455,000	127,407	582,407
2013	475,000	110,061	585,061
2014	490,000	91,967	581,967
2015	515,000	73,021	588,021
2016	530,000	53,218	583,218
2017-2018	1,125,000	43,575	1,168,575
Total	\$ 3,590,000	499,249	4,089,249

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

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

The School District has pledged a portion of future state Minimum Adequate Education Program revenues to repay \$4,555,000 in limited obligation refunding bonds payable issued. Proceeds from the bonds were used to finance capital improvements made to the District's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education Program and are payable through November 1, 2017. Annual principal and interest payments on the bonds are expected to require approximately four (4) percent of such state revenues. The total principal and interest remaining to be paid on the bonds is \$4,089,249. Principal and interest paid for the current year and total state Minimum Adequate Education Program revenues were \$584,010 and \$15,074,495, respectively.

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2003	4.70%	14-May-03	1-May-23	\$ 3,700,000	\$ 2,605,000
Total				\$ 3,700,000	\$ 2,605,000

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Limited tax note dated May 14, 2003:

Year Ending June 30	Principal	Interest	Total
2012	\$ 170,000	122,893	292,893
2013	175,000	115,668	290,668
2014	180,000	108,055	288,055
2015	190,000	100,045	290,045
2016	200,000	91,400	291,400
2017-2021	1,150,000	304,910	1,454,910
2022-2023	540,000	39,935	579,935
Total	<u>\$ 2,605,000</u>	<u>882,906</u>	<u>3,487,906</u>

The note will be retired from the Three Mill Note Debt Service Fund (Debt Service Fund).

C. Obligations under capital leases.

The School District has entered into four lease agreements that qualify as capital leases for accounting purposes. The details of leased property under those leases are as follows:

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 \$161,410.
4. Wayne County Vocational/Technical Center HVAC, electrical and control system at a cost of \$223,706.

The various options available to the District for these leases are as follows:

- Upon final payment, the asset titles pass to the School District.
- Upon written notice to the lessor, the School District has the option of prepaying the remaining principal amounts in the lease agreement. Asset titles pass to the School District at the time of the prepayment.

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

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Year Ending June 30	Principal	Interest	Total
2012	\$ 14,345	334	14,679
Total	\$ 14,345	334	14,679

This debt will be retired from the General Fund.

D. Qualified school construction bonds payable.

As more fully explained in Note 14, debt has been issued by the School District that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2010-A	0.13%	1-Dec-10	1-Dec-25	\$ 1,500,000	\$ 1,500,000
Series 2010-B	0.00%	1-Dec-10	1-Dec-25	1,500,000	1,500,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

E. 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.

Note 7 – Short-Term Financing

During the year ended June 30, 2011, the School District participated in the following short-term financings for the purpose of providing positive cash flows for the Storm Shelter project.

Bank-financed short term debt.

The School District issued a revenue anticipation note payable to Priority One Bank, Magee, Mississippi. The proceeds from such issuance are accounted for as a current liability in the General Fund of the School District. The short-term note had not been repaid as of the balance sheet date.

Changes in short-term debt activity recorded in the governmental activities during the 2011 year are as follows:

Description	<u>Balance</u> July 1, 2010	Additions	Deletions	<u>Balance</u> June 30, 2011
Revenue Anticipation Note	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000
	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>

WAYNE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 8 – 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 liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2011, \$3,100,000 of bonds outstanding are defeased.

Note 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 9.00% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% 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, 2011, 2010 and 2009 were \$1,947,081, \$2,071,325 and \$2,097,863, respectively, which equaled the required contributions for each year.

Note 10 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2012	\$ 55,796
2013	34,930
2014	18,196
2015	17,194
2016	15,460
2017 – 2021	52,924
2022 – 2026	11,488
2027 – 2031	8,635
Thereafter	2,876
Total	<u>\$ 217,499</u>

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 11 – Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. An error in recording a prior period asset or liability	\$ 405,063
2. A prior period adjustment to Capital Assets	12,290
	<u>\$ 417,353</u>

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

Fund	Explanation	Amount
General Fund	An error in recording a prior year asset	\$ 7,748
16th Section Principal Fund	An error in recording a prior year liability	397,315
Total		<u>\$ 405,063</u>

Note 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.

Litigation – The School District is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the School District with respect to the various proceedings. In particular, the Quitman School District, a neighboring district, has filed suit against the Wayne County School District for amounts of oil royalty revenues earned on shared sixteenth section lands that were not turned over to the Quitman School District in prior years. The Secretary of State of the State of Mississippi issued in a ruling dated November 4, 2011, a decision stating that a one-year statute of limitations existed concerning these revenues. The School District promptly turned over all amounts dating from the period of one year prior to the notice to the present time. The Quitman School District continues to pursue a remedy to collect any and all amounts not yet settled. However, the School District's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the School District.

Note 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.

Note 14 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or minimal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built.

WAYNE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2011

Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs or to borrow at minimal rates.

The School District makes equal annual payments into a sinking fund which is used to retire the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. No amounts were on deposit at June 30, 2011, in the sinking fund. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits for the two bond series to be made to the sinking fund by the School District.

Year Ending June 30	Amount
2012	\$ 200,000
2013	200,000
2014	200,000
2015	200,000
2016	200,000
2017-2021	1,000,000
2022-2026	1,000,000
Total	<u>\$ 3,000,000</u>

Note 15 – Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Wayne County School District evaluated the activity of the district through August 2, 2012, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

In July 2012, the Office of the State Auditor began an investigation into allegations that School District management converted District property to personal use, approved related party transactions involving employees of the School District who were also contracted with as vendors, and claimed reimbursement for travel expenses not related to official business. The allegations asserted encompass the time period included in this report. The possible effects of these allegations have been considered in issuing the auditor reports included in this report. The investigation is ongoing as of the date of this report.

REQUIRED SUPPLEMENTAL INFORMATION

WAYNE COUNTY SCHOOL DISTRICT

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Wayne County School District
Required Supplemental Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,665,092	4,979,179	4,995,932	314,087	16,753
State sources	16,049,708	15,058,380	14,543,308	(991,328)	(515,072)
Federal sources	154,000	320,859	948,661	166,859	627,802
Total Revenues	20,868,800	20,358,418	20,487,901	(510,382)	129,483
Expenditures:					
Instruction	13,465,469	11,410,454	11,384,885	2,055,015	25,569
Support services	7,415,099	8,064,914	8,497,656	(649,815)	(432,742)
Noninstructional	0	0	46,044	0	(46,044)
Facilities acquisition and construction	0	0	31,510	0	(31,510)
Debt service:					
Principal	338,344	27,719	27,719	310,625	0
Interest	0	31,688	31,687	(31,688)	1
Total Expenditures	21,218,912	19,534,775	20,019,501	1,684,137	(484,726)
Excess (Deficiency) of Revenues over (under) Expenditures	(350,112)	823,643	468,400	1,173,755	(355,243)
Other Financing Sources (Uses):					
Insurance loss recoveries	0	25,631	25,631	25,631	0
Sale of assets	0	388	388	388	0
Operating transfers in	4,341,340	4,306,899	1,818,900	(34,441)	(2,487,999)
Operating transfers out	(3,540,000)	(3,806,640)	(802,235)	(266,640)	3,004,405
Total Other Financing Sources (Uses)	801,340	526,278	1,042,684	(275,062)	516,406
Net Change in Fund Balances	451,228	1,349,921	1,511,084	898,693	161,163
Fund Balances:					
July 1, 2010, as originally reported	425,000	1,314,402	1,314,434	889,402	32
Prior period adjustments	0	0	7,748	0	7,748
July 1, 2010, as restated	425,000	1,314,402	1,322,182	889,402	7,780
June 30, 2011	\$ 876,228	2,664,323	2,833,266	1,788,095	168,943

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

WAYNE COUNTY SCHOOL DISTRICT

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Wayne County School District
Required Supplemental Information

Budgetary Comparison Schedule
16th Section Interest Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section	\$ 0	1,054,759	1,054,759	1,054,759	0
Total Revenues	0	1,054,759	1,054,759	1,054,759	0
Expenditures:					
Sixteenth section	0	51,659	66,407	(51,659)	(14,748)
Total Expenditures	0	51,659	66,407	(51,659)	(14,748)
Excess (Deficiency) of Revenues over (under) Expenditures	0	1,003,100	988,352	1,003,100	(14,748)
Other Financing Sources (Uses):					
Operating transfers in	0	72,202	0	72,202	(72,202)
Operating transfers out	0	(1,076,102)	(1,003,900)	(1,076,102)	72,202
Total Other Financing Sources (Uses)	0	(1,003,900)	(1,003,900)	(1,003,900)	0
Net Change in Fund Balances	0	(800)	(15,548)	(800)	(14,748)
Fund Balances:					
July 1, 2010	0	86,806	89,322	86,806	2,516
June 30, 2011	\$ 0	86,006	73,774	86,006	(12,232)

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

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT
Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

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 the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

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

WAYNE COUNTY SCHOOL DISTRICT

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SUPPLEMENTAL INFORMATION

WAYNE COUNTY SCHOOL DISTRICT

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Wayne County School District

Supplemental Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 606,088
National school lunch program	10.555	1,287,937
National school lunch program - commodities	10.555	133,465
Total child nutrition cluster		<u>2,027,490</u>
Passed-through Wayne County:		
Schools and roads - grants to states	10.665	240,023
Total U.S. Department of Agriculture		<u>2,267,513</u>
<u>U.S. Department of Defense</u>		
Direct Programs:		
Reserve officers' training corps	12.xxx	46,011
Total U.S. Department of Defense		<u>46,011</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	627,802
Total Federal Communications Commission		<u>627,802</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	52,086
Education technology state grants	84.318	9,875
Rural education	84.358	80,997
Improving teacher quality - state grants	84.367	264,689
ARRA - Education technology state grants, Recovery Act	84.386	31,269
Subtotal		<u>438,916</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,328,829
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	171,414
Total Title I cluster		<u>1,500,243</u>
Special education cluster:		
Special education - grants to states	84.027	872,413
Special education - preschool grants	84.173	67,358
ARRA - Special education grants to states, Recovery Act	84.391	311,645
ARRA - Special education - preschool grants, Recovery Act	84.392	19,008
Total special education cluster		<u>1,270,424</u>
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	1,004,818
Total State Fiscal Stabilization Fund cluster		<u>1,004,818</u>
ARRA - Education Jobs Fund, Recovery Act	84.410	750,338
Total U.S. Department of Education		<u>4,964,739</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	19,387
Total U.S. Department of Health and Human Services		<u>19,387</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through the Mississippi Emergency Management Agency:		
Hazard Mitigation Grant	97.039	6,194,617
Total U.S. Department of Health and Human Services		<u>6,194,617</u>
Total for All Federal Awards		<u>\$ 14,120,069</u>

WAYNE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies; as applicable, used for the 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

Supplemental Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2011**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 22,220,437	15,965,405	1,039,606	1,920,796	3,294,630
Other	14,742,184	1,693,920	328,889	43,714	12,675,661
Total	\$ 36,962,621	17,659,325	1,368,495	1,964,510	15,970,291
Total number of students *	3,637				
Cost per student	\$ 10,163	4,856	376	540	4,391

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

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

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

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

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

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

WAYNE COUNTY SCHOOL DISTRICT

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OTHER INFORMATION

WAYNE COUNTY SCHOOL DISTRICT

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Wayne County School District

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 4,995,932	4,129,797	4,325,441	4,137,504
State sources	14,543,308	15,604,082	17,671,134	17,429,842
Federal sources	948,661	421,938	428,926	478,267
Total Revenues	20,487,901	20,155,817	22,425,501	22,045,613
Expenditures:				
Instruction	11,384,885	12,708,165	14,672,245	14,975,639
Support services	8,497,656	7,982,081	8,016,695	7,834,195
Noninstructional services	46,044	60,805	71,040	77,931
Facilities acquisition and construction	31,510			25,886
Debt service:				
Principal	27,719	42,998	75,584	66,059
Interest	31,687	32,034	46,656	57,001
Advance refunding escrow				
Other				
Total Expenditures	20,019,501	20,826,083	22,882,220	23,036,711
Excess (Deficiency) of Revenues over (under) Expenditures	468,400	(670,266)	(456,719)	(991,098)
Other Financing Sources (Uses):				
Insurance loss recoveries	25,631	16,131	22,280	2,871
Sale of property	388	3,405	12,842	2,300
Operating transfers in	1,818,900	2,053,684	1,779,844	1,746,034
Other financing sources				8,968
Operating transfers out	(802,235)	(1,301,903)	(1,097,855)	(1,189,086)
Total Other Financing Sources (Uses)	1,042,684	771,317	717,111	571,087
Net Change in Fund Balances	1,511,084	101,051	260,392	(420,011)
Fund Balances:				
Beginning of period, as originally reported	1,314,434	1,201,796	837,697	1,257,708
Prior period adjustments	7,748	11,587	103,707	0
Beginning of period, as restated	1,322,182	1,213,383	941,404	1,257,708
End of Period	\$ 2,833,266	1,314,434	1,201,796	837,697

*SOURCE - PRIOR YEAR AUDIT REPORTS

WAYNE COUNTY SCHOOL DISTRICT

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Wayne County School District

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 5,654,045	4,764,912	4,895,750	4,838,759
State sources	16,325,162	16,775,064	18,898,166	18,660,134
Federal sources	14,038,595	8,489,104	5,444,462	5,745,622
Sixteenth section sources	10,908,215	9,498,353	8,472,456	10,089,900
Total Revenues	46,926,017	39,527,433	37,710,834	39,334,415
Expenditures:				
Instruction	16,448,446	17,800,018	18,330,353	18,616,857
Support services	9,925,701	9,916,028	9,229,700	9,544,624
Noninstructional services	2,046,651	2,017,166	2,206,111	2,150,161
Sixteenth section	298,751	206,938	106,208	81,378
Facilities acquisition and construction	7,307,486	924,659	127,392	25,886
Debt service:				
Principal	627,719	631,895	732,275	625,226
Interest	307,867	331,513	367,877	408,871
Other			3,266	3,358
Total Expenditures	36,962,621	31,828,217	31,103,182	31,456,361
Excess (Deficiency) of Revenues over (under) Expenditures	9,963,396	7,699,216	6,607,652	7,878,054
Other Financing Sources (Uses):				
Proceeds of qualified school construction bonds	3,000,000			
Insurance loss recoveries	25,631	16,131	49,120	2,871
Sale of property	388	3,405	12,842	3,076
Operating transfers in	2,621,135	3,355,587	2,877,700	2,935,120
Other financing sources				8,968
Operating transfers out	(2,621,135)	(3,355,587)	(2,877,700)	(2,935,120)
Other financing uses				(6,028)
Total Other Financing Sources (Uses)	3,026,019	19,536	61,962	8,887
Net Change in Fund Balances	12,989,415	7,718,752	6,669,614	7,886,941
Fund Balances:				
Beginning of period, as originally reported	29,616,217	22,267,463	15,504,757	7,633,103
Prior period adjustments	405,063	(357,315)	103,707	
Beginning of period, as restated	30,021,280	21,910,148	15,608,464	7,633,103
Increase (Decrease) in reserve for inventory	11,562	(12,683)	(10,615)	(15,287)
End of Period	\$ 43,022,257	29,616,217	22,267,463	15,504,757

*SOURCE - 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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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the School Board
Wayne County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County School District, as of and for the year ended June 30, 2011, which collectively comprise the Wayne County School District's basic financial statements and have issued our report thereon dated August 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Wayne County School District is responsible for establishing and maintaining effective Internal Control over financial reporting. In planning and performing our audit, we considered Wayne County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wayne County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wayne County School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the following Schedule of Findings and Questioned Costs to be material weaknesses: **Finding 2011-01**, **Finding 2011-02**, and **Finding 2011-03**.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: **Finding 2011-04**, **Finding 2011-05**, **Finding 2011-06**, **Finding 2011-07**, and **Finding 2011-08**.

Compliance and Other Matters

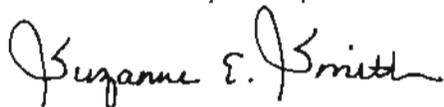
As part of obtaining reasonable assurance about whether Wayne County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Wayne County School District in a separate letter dated August 2, 2012, which is included in this report.

Wayne County School District's response to the findings identified in our audit are described in the accompanying Schedule of Auditee Responses. We did not audit Wayne County School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.



Suzanne E. Smith, CPA

August 2, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the School Board
Wayne County School District

Compliance

We have audited Wayne County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wayne County School District's major federal programs for the year ended June 30, 2011. Wayne County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wayne County School District's management. Our responsibility is to express an opinion on Wayne County School District's compliance based on our audit.

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

In our opinion, Wayne County School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying schedule of findings and questioned costs as **Finding 2011-09, Finding 2011-10, and Finding 2011-11**.

Internal Control over Compliance

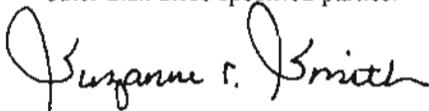
Management of Wayne County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wayne County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wayne County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items **Finding 2011-09, Finding 2011-10, and Finding 2011-11**. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Wayne County School Districts responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit the Wayne County School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the School Board, others within the entity, 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.



Suzanne E. Smith, CPA

August 2, 2012

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

WAYNE COUNTY SCHOOL DISTRICT

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

Superintendent and School Board
Wayne County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District as of and for the year ended June 30, 2011, which collectively comprise Wayne County School District's basic financial statements and have issued our report thereon dated August 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number **SL2011-A** below. The district reported \$91,774 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 our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed the following instance of noncompliance related to incorrect or inappropriate functional level expenditure coding. The noncompliance is reported in finding number **SL2011-B** below.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. The findings are presented as **SL2011-C**, **SL2011-D**, **SL2011-E**, and **SL2011-F** below. Our findings and recommendations and your responses are as follows:

Finding: SL2011-A *Education Enhancement Funds for Classroom Materials Not Properly Allocated.* Section 37-61-33(3)(a)(iii), Miss. Code Ann. 1972, sets forth the requirements for the division of Education Enhancement funds for classroom supplies and materials. Education enhancement funds were not divided equally among all qualifying teachers in the District for the 2010-2011 year. Teachers received an allocation of \$160/teacher. With a carry forward balance of \$91,774 and current year state allotment of new funds, we calculated an amount of \$601/teacher available for spending. We found no formally approved spending plans available for review that would have restricted the carry forward balance of \$91,774.

Recommendation: We recommend that the district divide all Education Enhancement funds in the manner specified in 37-61-33(3)(a)(iii), Miss. Code Ann. (1972). Carry forward balances should be considered for equal allocation among all qualifying teachers unless the allocations have been set aside in approved spending plans.

District Response:

At June 30, 2011, we had a cash balance of \$80,157, partially offset by outstanding encumbrances (open purchase orders) of \$48,074, leaving an unspent balance of \$32,083. At the end of June 2012, this unencumbered balance was reduced to \$19,788. As of the current date, it has been further reduced to \$16,990, and this amount will be allocated to all eligible teachers at the rate of \$67 per teacher, to be spent before December 25, 2012. This will totally deplete the fund and resolve the issue.

Finding: SL2011-B. Correct Coding at the Functional Level. Section 37-9-18(3)(b), Miss. Code Ann. (1972), requires the district to code expenditures according to the guidelines for financial accounting codes set forth by the Mississippi Department of Education. We noted various instances of coding errors in both payroll and non-payroll expenditure cycles. Payroll expenditures involving three (3) individuals totaling \$72,107.93 and non-payroll expenditures involving eleven (11) claims totaling \$53,150.08 were found to be coded incorrectly. The coding errors are considered an oversight or a lack of training for those persons assigning expenditure account codes.

Recommendation: We recommend that the district code all expenditures in accordance with the system of accounting codes prescribed by the Mississippi Department of Education.

District Response:

We are making a concerted effort to make certain that all payroll function codes are appropriately assigned. For closer control of coding of purchase orders, the business manager is now reviewing all district purchase orders prior to their issuance to help keep the mistakes to a minimum.

Finding: SL2011-C. Division of Shared Sixteenth Section Revenues. Section 29-3-119, Miss. Code Ann. (1972), requires that in cases where a township is occupied by two or more school districts, revenues earned on sixteenth section lands should be divided among the school districts according to the applicable percentages of children residing in the township. The Wayne County School District over-settled sixteenth section revenues earned during the period July 1, 2010 – June 20, 2011 to Quitman School District by \$39,815.67. The amounts were settled subsequent to balance sheet date June 30, 2011. The district used a 2012 listing of educable children instead of the 2011 listing that was available to the district during the 2010-2011 year.

Recommendation: We recommend that the School District divide revenues for a given fiscal year based on the count of educable children for that fiscal year received by December 1 of that fiscal year.

District Response:

We made a judgment call that the student count for the 2011 fiscal year was suspect, and that the count for fiscal year 2012 was accurate. The count for fiscal year 2011 had been reported as 127 students, while the 2012 count revealed 59 students. After reviewing the 2012 count for accuracy after audit fieldwork was finished, we determined it to be correct and further determined that the 2011 count made by the Wayne County School District was in error. Therefore, we feel that the amount settled was correct.

Finding: SL2011-D. Transfers from Sixteenth Section Funds. Section 29-3-117, Miss. Code Ann. (1972), requires that all transfers of expendable monies from sixteenth section funds to governmental funds be approved by an order of the school board. There was no specific board approval for amounts recorded as transfers at June 3, 2011, from sixteenth section funds to the General Fund. Transfers from the 16th Section Interest Funds totaling \$1,003,900.02 and a transfer from the 16th Section Principal Fund in the amount of \$762,221.86 did not have specific board action for approval prior to the transaction being recorded in the accounting records. The District has traditionally added the transfers to a transfer sheet listing in the financial information given to the school board when the actual transfer of funds takes place.

Recommendation: We recommend that any and all transfers of expendable monies from the sixteenth section funds to governmental funds be specifically approved by the school board in a separate motion prior to the time that the transfer is recorded in the accounting records, even if actual amounts of expendable revenues are not moved from one bank account to the other until after balance sheet date.

District Response:

We are now submitting requests for approval of the transfer of earnings to the board prior to the actual transfer. In the past, we had assumed the transfers were pre-approved by the board's approval of the budget which stipulated the transfers.

Finding: SL2011-E. Original Budget Not Approved in Detail. The school board approved the original budget for the 2010-2011 year on July 1, 2010. However, the board did not approve individual fund budgets but rather a synopsis by fund groups. When a budget is approved by the board in broad categories, there is no clear way to make a determination as to the amounts of individual fund revenues and expenditures. This hampers the gathering of information required as a part of Required Supplemental Information for the annual audit report.

Recommendation: We recommend that a fund by fund budget be presented to the school board for approval each year in the form of a combining budget. A combined synopsis of all governmental fund budgets may also be presented in addition to the combining budget.

District Response:

In the past, we have supplied the board with a combined budget and breakdown of budgeted revenue by fund. We have not attempted to break down the budgeted expenditures to the fund level for the budget approval process. In the future, we will supply a combining budget for their approval.

Finding: SL2011-F. Violations of State Purchasing Law. Section 31-7-13, Miss. Code Ann. (1972), governs purchasing for public school districts as governing authorities of the State of Mississippi. During our testing, we noted five (5) instances where purchases more than \$5,000 were not supported by two or more written quotes. Two of the purchases were made in student activity funds. Three purchases involved the purchase of district vehicles to be used in security and maintenance departments. We further noted one instance where a vendor who was not the low bidder was awarded the contract for the construction of covered walk-ways at Clara Elementary School. There was no reason given for awarding the contract to the higher bidder and no detailed computations to support this award. The reason for failure to follow the purchasing laws is not known.

Recommendation: We recommend that the district follow the requirements of state law with respect to public purchasing and that the district strengthen controls that would prevent purchase orders being issued for and claims being paid for expenditures not having appropriate documentation attached to substantiate compliance with public purchasing laws and requirements.

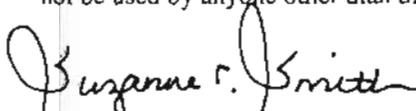
District Response:

As mentioned in an earlier response, the business manager will now review all purchase orders before their submission to the Superintendent for his signature and review. The business manager's review will encompass a review from the compliance side as well as the account coding accuracy aspect.

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, we 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.



Suzanne E. Smith, CPA

August 2, 2012

WAYNE COUNTY SCHOOL DISTRICT

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WAYNE COUNTY SCHOOL DISTRICT

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? (Yes/No) | Yes |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 3. | Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | | |
|----|---|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? (Yes/No) | No |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | Yes |
| 7. | Identification of major programs: | |

CFDA Number

Award

Child Nutrition Cluster:

10.553	School breakfast program
10.555	National school lunch program

Title I Cluster:

84.010	Title I grants to local educational agencies
84.389	Title I grants to local educational agencies, recovery act

Special Education Cluster:

84.027	Special education – grants to states
84.173	Special education – preschool grants
84.391	Special education – grants to states, recovery act
84.392	Special education – preschool grants, recovery act

State Fiscal Stabilization Fund (SFSF) Cluster:

84.394	State Fiscal Stabilization Fund – Education state grants, recovery act
32.xxx	The schools and libraries program of the universal service fund
84.410	Education Jobs Fund, recovery act

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$423,602 |
| 9. | Auditee qualified as low-risk auditee? (yes/no) | No |

Section II: Financial Statement Findings

Deficiencies Identified as Material Weaknesses in Internal Controls over Reporting

Finding 2011-01. Related Party Transactions. There is no system for identifying and preventing District employees from also contracting with the District as contract workers. Section 25-4-105(3)(a), Miss. Code Ann. (1972), prevents school district employees from also serving as contractors, subcontractors, or vendors with the school district in which those individuals are employed. The existence of such close relationships also provides opportunities for transactions that are not arms-length transactions when district administrators are in a position of being able to contract directly with themselves or with related parties for services.

Recommendation: We recommend that the District develop a control system for identifying and monitoring the existence of possible contractor/vendor relationships that involve employees of the School District.

Finding 2011-02. Reporting Deficiency – Capital Projects Fund. The School District incorrectly classified construction expenditures in the total amount of \$749,690.27 as an asset (construction in progress) in a governmental fund. The School District also incorrectly classified the proceeds of Qualified School Construction Bonds of \$3,000,000 as a current liability account in a governmental fund instead of as an other financing source account in that fund. Audit adjustments were proposed and accepted by district management to reclassify the expenditures and other financing source to the correct accounts. A misunderstanding of the timing of conversion entries used to convert the governmental financial accounting records to entity-wide statements required by Governmental Accounting Standards Board Statement No. 34 was the reason for the error in recording these transactions.

Recommendation: We recommend that the School District apply appropriate governmental accounting standards when recording transactions in governmental funds.

Finding 2011-03. Failure to Capture Payables in Construction Contracts. The School District failed to capture and record retainage payable amounts totaling \$203,038.02 in the accounting records, thereby understating current liabilities in the governmental accounts by \$203,038.02 and overstating fund equity and changes in fund balance by this same amount. An audit adjustment was proposed and accepted by district management to record retainage payable as a current year expenditure. This reason for the failure to record the liability was likely an oversight.

Recommendation: We recommend that the School District capture all amounts owed as retainage payable on construction contracts as expenditures in the year in which the retainage is earned by the project contractors.

Deficiencies Identified as Significant Deficiencies in Controls over Reporting

Finding 2011-04. Unallowable Expenditures. There is no independent review of reimbursement requests for administrative travel by an informed source prior to travel reimbursements being made, resulting in travel reimbursements being made for personal travel of \$1,997.26. There is no final review of expenditures made prior to the time the claims are presented to the school board by a knowledgeable person who can identify unallowable expenditures. This resulted in an unallowable reimbursement being made in the amount of \$3,836.35 for the costs of mailing gifts to soldiers stationed abroad. Such costs are not allowable expenditures for a public school district. The lack of controls also resulted in medical costs being paid for a student who was hurt at school outside of an athletic event.

Questioned Costs:

- \$1,997.26 personal travel reimbursements
- \$3,836.35 postage
- \$ 340.00 medical expenses

Recommendation: We recommend that the School District designate a person who is knowledgeable of the types of expenditures allowable by state and federal laws and regulations to review all claims, checking for unallowable expenditures prior to the time such items are presented for approval. We further recommend that travel for district management be examined closely to prevent reimbursement for personal or unauthorized travel expenditure amounts. We recommend that personnel who are assigned the clerical duties of processing accounts payable transactions be provided with training to help them identify unallowed expenditures.

Finding 2011-05. Deficiencies Surrounding Student Activity Fund Transactions. There is not a timely review made of activity fund transactions submitted to central office that would serve to identify unallowable or questionable expenditures. There is also no method for reviewing profits earned on concession sales at the various campuses. Profit margins for the 2010-2011 year ranged from 5% to 50%.

Recommendation: We recommend that the District develop a system for reviewing transactions included in the monthly transmittal packets that will provide a timely determination of any unallowable or questionable transactions. The School District should also designate a central office employee the responsibility for reviewing and investigating any unexpected profit margins on a quarterly basis for concession sales and other fund raising events held at the various school campuses.

Finding 2011-06. Donated Commodity Revenues Not Properly Recorded. Donated commodity revenues were under-recorded in the amount of \$73,166.49. This caused an understatement of federal revenue and an understatement in fund balance in the Child Nutrition Fund at June 30, 2011. An audit adjustment was proposed and accepted by management to properly restate donated commodity revenues for the year. The understatement was likely an oversight.

Recommendation: We recommend that the district record all revenues associated with the delivery and acceptance of donated commodities in connection with the Child Nutrition Cluster of awards.

Finding 2011-07. Weaknesses in Controls Surrounding Nonpayroll Expenditure Cycle. Our tests of controls surrounding the nonpayroll expenditure cycle revealed no receiving documentation to support nine (9) of the 222 transactions tested. The School District is not consistently documenting that goods and/or services are actually received before making payment. This weakness clusters around non-federal transactions. Our tests further indicated that the District is routinely mis-coding nonpayroll transactions. We noted fifteen (14) instances where expenditures were erroneously miscoded between instructional and support categories and one instance where an expenditure was erroneously miscoded between sub-categories within the support category.

Recommendation: We recommend that all paid claims be supported by receiving documentation provided by a person knowledgeable of the receipt of the goods/services being paid for. We further recommend that the District provide account code training for individuals involved in the preliminary review process made before purchase orders are issued.

Finding 2011-08. Weaknesses in Controls Surrounding Capital Assets and Related Expenditures. Our tests of controls surrounding the capital assets and related expenditures cycle revealed four (4) instances where pieces of equipment meeting the threshold for inclusion in the district's capital assets subsidiary records were not tagged and added to the subsidiary records at the time of purchase. The District added these items at the time of audit. Our tests of controls further revealed that equipment is not always located at the location or room number indicated in the subsidiary records. While we were able to locate all items included in our physical inventory observation sample, the location required effort on the part of the staff at various locations in order to locate all items. The District administrator assigned responsibility for capital asset accounting and inventory procedures revealed at the time of audit that he had not conducted a physical inventory in over one year. Accounting for inventory of capital assets is important for the fair presentation of capital assets in the financial statements and for the safeguarding of capital assets purchased for use in the School District.

Recommendation: We recommend that the District review and tighten the established controls to provide assurance that all assets are captured, tagged, and entered into the subsidiary accounting records in accordance with policy for safeguarding capital assets. We recommend that the District began an immediate physical inventory to locate all the capital assets and to update the records to reflect the actual location of such assets.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies in Internal Control Over Compliance and Non-compliance Not considered to be Material

Finding 2011-09

Federal Program:
Special Education Cluster -
Special education grants to states (84.027)
ARRA – special education grants to states, Recovery Act (84.391)

Pass-through entity number: None assigned
Award Year: 2010-2011
Federal agency: United States Department of Education
Pass-through entity: Mississippi Department of Education

Criteria: Applicable Activities Allowed/Unallowed and Applicable Costs and Cost Principles. Personnel paid from program dollars in the Special Education Cluster should have allowances for such positions to be paid included in approved grant applications approved by the pass-through entity.

Condition: The District does not have in place a system of controls over activities paid from the Special Education Cluster of awards that would ensure compliance with the grant agreements applicable to each award within the cluster. The District failed to match personnel paid from award dollars with allowances for such personnel in the approved applications and amendments approved by the Mississippi Department of Education. Such a failure to match personnel with specific awards did not extend outside of the cluster and was caused when incorrect account codes were matched with program transactions.

Questioned costs and supporting information: Total cluster expenditures were \$1,270,424. Questioned costs were computed by adding gross payroll amounts paid and matching benefits for two coding errors made: 1) a behavior specialist was paid a salary of \$34,600 plus benefits from Special education – grants to states (84.027) award when only \$17,700 plus benefits was approved in the project application for the position. The total amount of questioned costs for this position, including benefits, is \$22,155.83. A special education teacher assistant was paid from ARRA- special education grants to states, Recovery Act (84.391) when the actual position budgeted for this employee was approved in the Special education – grants to states (84.027) award. The total amount of questioned costs paid for this position, including benefits, was \$22,424.46. The questioned costs will be reviewed by the Mississippi Department of Education and a final resolution will be made as to the amounts of any repayments to be made by the district. Total questioned costs are \$44,580.29.

Effect: The lack of system controls surrounding allowability of activities paid from award programs has resulted in disallowed expenditures for personnel costs being paid from cluster awards.

Recommendation: We recommend that the District develop a system for tracking personnel paid from the Special Education Cluster of awards that will ensure that personnel are coded to and paid from the corresponding grant in which each program employee is approved.

Finding 2011-10

Special Education Cluster-
Special education – grants to states (84.027)
Special education – preschool grants (84.173)
ARRA-Special education grants to states, Recovery Act (84.391)
ARRA-Special education-preschool grants, Recovery Act (84.392)
Title I Cluster-
Title I grants to local educational agencies (84.010)
ARRA-Title I grants to local educational agencies, Recovery Act (84.389)

Pass-through entity numbers: None assigned
Award Year: 2010-2011
Federal agency: United States Department of Education
Pass-through entity: Mississippi Department of Education

Criteria: Applicable Costs and Cost Principles. The District, in accordance with OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles for determining the allowable costs incurred by state and local governments and federally recognized tribal governments under grants, cost reimbursement contracts, and other agreements with the Federal government. Standards for payroll documentation include the requirement that semi-annual certifications on individuals paid from federal awards be maintained where employees are expected to work solely on a single Federal award or cost objective. The certifications must be prepared at least semi-annually and signed by the employee or supervisory personnel having first hand knowledge of the work performed by the employee.

Condition: The District failed to maintain semi-annual certifications on individuals paid 100% from the Title I Cluster of awards and the Special Education Cluster of awards and who work solely on a single cost objective within an applicable award.

Questioned costs and supporting information: None

Effect: This failure to maintain adequate payroll documentation is in violation of the cost principles set forth in OMB Circular A-87.

Recommendation: We recommend that the District begin the process of securing and maintaining semi-annual certifications on individuals paid 100% from program dollars. For individuals pro-rated between federal funds and non-federal funds, time and effort requirements must be met in accordance with OMB Circular A-87.

Finding 2011-11

Federal Program:

Special Education Cluster-

ARRA-Special education grants to states, Recovery Act (84.391)

ARRA-Special education-preschool grants, Recovery Act (84.392)

Title I Cluster-

ARRA-Title I grants to local educational agencies, Recovery Act (84.389)

Pass-through entity number: None assigned

Award Year: 2010-2011

Federal agency: United States Department of Education

Pass-through entity: Mississippi Department of Education

Criteria: ARRA Reporting. The prime recipients of all programs subject to Section 1512 of the Recovery Act are responsible for reporting accurate information required by Section 1512 of the Act. Prime recipients, like the Mississippi Department of Education, may choose to delegate certain reporting requirements to sub-recipients.

Condition: The District reported nineteen (19) individuals as being paid in a "retained" status during the 4th quarter of 2010. In fact, none of these nineteen (19) individuals were paid from Recovery funds during the 4th quarter of 2010. The District failed to "zero" out the hours worked for these individuals in a previous quarter when submitting the information to the Mississippi Department of Education. This was due to oversight.

Questioned costs and supporting information: None

Effect: The effect of the error in reporting was that nineteen (19) "retained" status jobs were incorrectly reported to the prime recipient.

Recommendation: We recommend that attention be given to ensuring the accuracy of all reports due to be submitted for both the Title I Cluster of awards and the Special Education Cluster of awards. A second level of review may prove beneficial when preparing required reports.

WAYNE COUNTY SCHOOL DISTRICT

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AUDITEE'S CORRECTIVE ACTION PLAN

WAYNE COUNTY SCHOOL DISTRICT

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WAYNE COUNTY SCHOOL DISTRICT

Ben H. Graves

Superintendent of Education

Building Tomorrow's Leaders Today

John Parks, District 1
Fred Andrews, District 2
District 3
Jimmy Barnett, District 4
Ferry Graham, District 5
Tobias Dickerson, Board Attorney

RESPONSES TO AUDIT FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Section II. Financial Statement Findings

2011-01 Related party transactions

- a. Currently, we use a new vendor addition form on which we ask the question "is this person in any way related to any employee of the district?" The form further states "Notice: Mississippi law prohibits school district employees from having direct or indirect interest individually in any contract for services for the district." Naturally, the form does not prevent someone from submitting a form with incomplete or dishonest information on it.

As an added control, we will institute a follow-up investigation of each new vendor to attempt to uncover any attempts to circumvent or defraud the system. We will also require the business manager and the superintendent to approve all new vendors.

- b. Ben Graves, Superintendent
Doug Everitt, Business Manager
Telephone: (601) 735-4871

- c. This new control procedure is effective immediately.

2011-02 Reporting Deficiency - Capital Projects Fund

- a. We will not make these entries again if the same circumstances occur again.

- b. Doug Everitt, Business Manager
Telephone: (601) 735-4871

2011-03 Failure to Capture Payables in Construction Contracts

- a. This was merely an oversight. We will be more vigilant in the future.

- b. Doug Everitt, Business Manager
Telephone: (601) 735-4871

- c. Effective immediately.

2011-04 Unallowable Expenditures

- a. We have already instituted the practice of the business manager reviewing and approving the superintendent's travel expense reports. He will also review all purchase orders prior to their submission to the superintendent for his signature.
 - b. Ben Graves, Superintendent
Doug Everett, Business Manager
Telephone (601) 735-4871
 - c. Effective immediately.
- 2011-05 Deficiencies Surrounding Student Activity Fund Transactions
- a. We will review each school claim docket each month when it is presented to the school board for approval, prior to payments being made. We currently review the concession gross profit data on a quarterly basis. Each school's expenditures and receipts as recorded in the General Ledger are tallied and reconciled. Questioned results are then communicated to the appropriate principal for investigation and any needed action.
 - b. Ben Graves, Superintendent
Doug Everett, Business Manager
Telephone (601) 735-4871
 - c. Went into effect in the spring of 2012.
- 2011-06 Donated Commodity Revenues Not Properly Recorded
- a. We will get quarterly reports of donated commodities and record them quarterly, rather than annually as we have been doing. This should prevent a repeated mistake.
 - b. Doug Everett, Business Manager
Jackie Henry, Food Service Administrator
Telephone (601) 735-4871
 - c. Effective immediately.
- 2011-07 Weaknesses in Controls Surrounding Nonpayroll Expenditure Cycle
- a. The business manager has begun reviewing all purchase orders for coding and other verification prior to the purchase orders being submitted to the Superintendent for his signature.
 - b. Ben Graves, Superintendent
Doug Everett, Business Manager
Telephone (601) 735-4871
 - c. Effective immediately.
- 2011-08 Weaknesses in Controls Surrounding Capital Assets and Related Expenditures
- a. The control of capital assets has been shifted to a different administrator within the district, and the day-to-day record keeping surrounding fixed

assets has also been assigned a new individual, who is training now. She will have more time to devote to this important function than her predecessor had.

- b. Ben Graves, Superintendent
Sandra Waller, Assistant Superintendent
Telephone: (601) 735-4871
- c. Effective immediately.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies in Internal Control Over Compliance

2011-09 Personnel Paid from Wrong Grant Award

- a. The control weakness here was a lack of timely communication between the business manager and the director of special education, who was preparing the budget for the program. We are now working together on the budget preparation to make certain that the personnel and payroll budget aligns with what is actually in the District's payroll and accounting system.
- b. Ben Graves, Superintendent
Doug Everett, Business Manager
Tina Harrison, Special Education Director
Telephone: (601) 735-4871
- c. Effective with the salary schedule to be prepared and approved in May, 2012.

2011-10 Failure to maintain semi-annual certifications

- a. This deficiency has been addressed with the federal program directors and the certifications are now being kept up to date.
- b. Ben Graves, Superintendent
Tina Harrison, Special Education Director
Jeanne West, Title I Director
Telephone: (601) 735-4871
- c. Effective immediately.

2011-11 Failure to Correctly Report Jobs Created or Retained

- a. This was a misunderstanding on our part. We reported no wages paid from ARRA funds for the quarter, but we did report the hours worked for the people who were still working and had been paid with ARRA funds previously.
- b. Ben Graves, Superintendent
Doug Everett, Business Manager
Telephone: (601) 735-4871
- c. N/A

WAYNE COUNTY SCHOOL DISTRICT

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SUMMARY OF PRIOR YEAR FINDINGS

WAYNE COUNTY SCHOOL DISTRICT

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Ben H. Graves

Superintendent of Education *"Building Tomorrow's Leaders Today"*

WAYNE COUNTY SCHOOL DISTRICT

Paul Patten, District 1
Fred Andrews, District 2
District 3
Jimmy Barnett, District 4
Terry Graham, District 5
Tommy Dickerson, Board Attorney

Summary of Prior Year Audit Findings

Section III: Federal Award Findings and Questioned Costs

Finding 2010-04- Special Education Cluster - Allowable costs/cost principles – payroll expenditures charged to wrong award program

Disposition: This will be a repeat finding.

Finding 2010-05 - Special Education Cluster Allowable costs/cost principles – purchase of bus not included in grant application

Disposition: This matter has been resolved. The district amended the application to include the purchase of the bus.

Finding 2010-06 - Special Education Cluster Procurement and suspension and debarment – competitive quotes not obtained

Disposition: There were no violations of purchasing laws in the triple purpose testing of non-payroll expenditures for this cluster of awards. This matter is resolved.

Finding 2010-07 - Special Education Cluster Allowable costs/cost principles – unallowable payroll expenditures.

Disposition: This matter has been resolved.

Finding 2010-08 - Special Education Cluster Cash Management – excess cash draw downs

Disposition: This matter was resolved for the 2010-2011 year.

Finding 2010-09 - Special Education Cluster and Title I Cluster Allowable costs/cost principles – documentation of time and effort

Disposition: This will be a current year finding.

Finding 2010-10 - Special Education Cluster – Other reports – annual financial report due to Mississippi Department of Education

Disposition: This matter has been resolved.

