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**Wayne County School District**

Audited Financial Statements  
For the Year Ended June 30, 2014

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Wayne County School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Wayne County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Wayne County School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 18 and 51 to 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wayne County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2015, 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* in considering Wayne County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
August 5, 2015

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Wayne County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

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, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2014 increased \$12,983,396, including a prior period adjustment of (\$85,419), which represents a 15% increase from fiscal year 2013. Total net position for 2013 increased \$14,113,286, including a prior period adjustment of \$352,186, which represents a 20% increase from fiscal year 2012.
- General revenues amounted to \$39,597,554 and \$35,085,530, or 85% and 75% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,813,076, or 15% of total revenues for 2014, and \$11,876,733, or 25% of total revenues for 2013.
- The District had \$33,341,815 and \$33,201,163 in expenses for fiscal years 2014 and 2013; only \$6,813,076 for 2014 and only \$11,876,733 for 2013 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$39,597,554 for 2014 and \$35,085,530 for 2013 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$21,765,261 in revenues and \$24,154,966 in expenditures for 2014, and \$21,038,049 in revenues and \$23,817,009 in expenditures for 2013. The General Fund's fund balance decreased by \$1,779,150 from 2013 to 2014, and decreased by \$1,462,100, including a prior period adjustment of \$76,190, from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$4,786,264 for 2014, including a prior period adjustment of (\$85,419), and increased by \$1,139,470 for 2013. The increase for 2014 was primarily due to the additions of construction in progress, mobile equipment and furniture and equipment.
- Long-term debt decreased by \$710,000 for 2014 and decreased by \$796,685 for 2013. The decrease for 2014 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$55,558 for 2014 and decreased by \$106,685 for 2013.

**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

**Wayne County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

financial statements. This report also contains required supplementary information, supplementary information, and other information.

### **Government-wide Financial Statements**

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

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

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

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

**Wayne County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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, 2014

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by 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 position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$97,984,556 as of June 30, 2014.

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.

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

**Wayne County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 7,205,840	8,954,256	(20)%
Restricted assets	70,425,831	60,268,745	17%
Capital assets, net	<u>31,220,173</u>	<u>26,433,909</u>	18%
<b>Total assets</b>	<u>108,851,844</u>	<u>95,656,910</u>	14%
<b>Deferred outflows of resources</b>	<u>133,136</u>	<u>0</u>	
Current liabilities	3,336,819	2,468,198	35%
Long-term debt outstanding	<u>7,663,605</u>	<u>8,187,552</u>	(6)%
<b>Total liabilities</b>	<u>11,000,424</u>	<u>10,655,750</u>	3%
<b>Net position:</b>			
Net investment in capital assets	23,999,087	18,519,892	30%
Restricted	73,297,581	64,258,225	14%
Unrestricted	<u>687,888</u>	<u>2,223,043</u>	(69)%
<b>Total net position</b>	<u>\$ 97,984,556</u>	<u>85,001,160</u>	15%

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

- Increase in net capital assets in the amount of \$4,786,264.
- The principal retirement of \$710,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$46,410,630 and \$46,962,263, respectively. The total cost of all programs and services was \$33,341,815 for 2014 and \$33,201,163 for 2013.

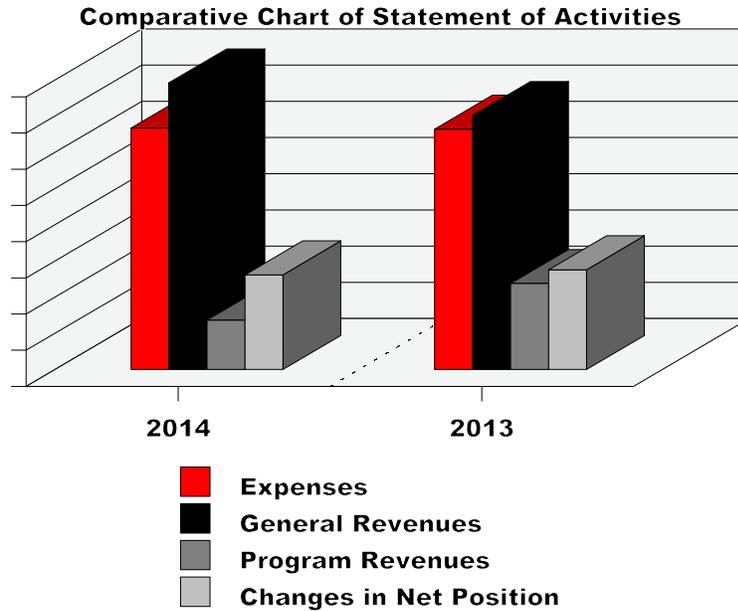
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Wayne County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,265,926	5,958,621	(79)%
Operating grants and contributions	5,547,150	5,918,112	(6)%
Total program revenues	<u>6,813,076</u>	<u>11,876,733</u>	(43)%
General revenues:			
Property taxes	4,704,632	4,532,761	4%
Grants and contributions not restricted	16,843,577	16,682,216	1%
Unrestricted investment earnings	2,500,958	377,346	563%
Sixteenth section sources	15,470,604	13,447,370	15%
Other	77,783	45,837	70%
Total general revenues	<u>39,597,554</u>	<u>35,085,530</u>	13%
<b>Total revenues</b>	<u>46,410,630</u>	<u>46,962,263</u>	(1)%
<b>Expenses:</b>			
Instruction	18,352,907	17,366,075	6%
Support services	11,281,510	11,969,229	(6)%
Non-instructional	1,609,234	2,192,782	(27)%
Sixteenth section	1,688,743	1,312,825	29%
Interest on long-term liabilities	409,421	360,252	14%
<b>Total expenses</b>	<u>33,341,815</u>	<u>33,201,163</u>	0%
<b>Increase (Decrease) in net position</b>	<u>13,068,815</u>	<u>13,761,100</u>	(5)%
<b>Net Position, July 1, as previously reported</b>	85,001,160	70,887,874	20%
<b>Prior Period Adjustment</b>	<u>(85,419)</u>	<u>352,186</u>	(124)%
<b>Net position, July 1, as restated</b>	<u>84,915,741</u>	<u>71,240,060</u>	19%
<b>Net Position, June 30</b>	<u>\$ 97,984,556</u>	<u>85,001,160</u>	15%

**Wayne County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**



**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.

**Table 3**  
**Net Cost of Governmental Activities**

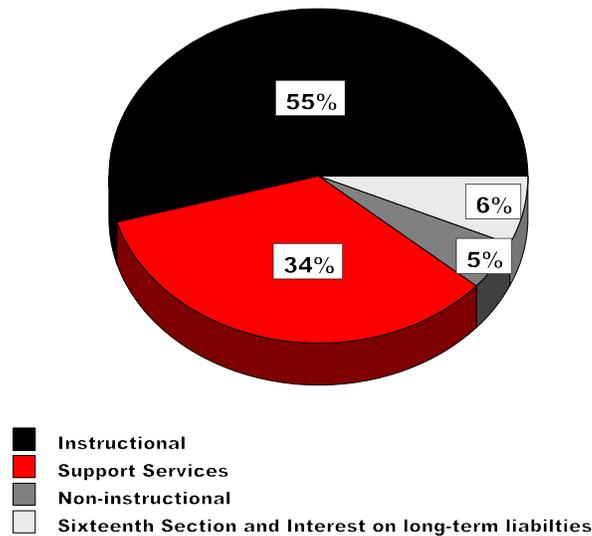
	<u>Total Expenses</u>		<b>Percentage Change</b>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 18,352,907	17,366,075	6%
Support services	11,281,510	11,969,229	(6)%
Non-instructional	1,609,234	2,192,782	(27)%
Sixteenth section	1,688,743	1,312,825	29%
Interest on long-term liabilities	409,421	360,252	14%
<b>Total expenses</b>	<u>\$ 33,341,815</u>	<u>33,201,163</u>	<u>0%</u>

**Wayne County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**Net (Expense) Revenue**

	<b>2014</b>	<b>2013</b>	<b>Percentage Change</b>
Instruction	\$ (15,120,372)	(14,336,578)	5%
Support services	(10,138,761)	(5,663,373)	79%
Non-instructional	701,880	110,361	536%
Sixteenth section	(1,562,065)	(1,188,837)	31%
Interest on long-term liabilities	(409,421)	(246,003)	66%
<b>Total net (expense) revenue</b>	<b>\$ (26,528,739)</b>	<b>(21,324,430)</b>	<b>24%</b>

**Chart of Expenses per Statement of Activities**



- Net cost of governmental activities (\$26,528,739 for 2014 and \$21,324,430 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$4,704,632 for 2014 and \$4,532,761 for 2013) and state and federal revenues (\$16,843,577 for 2014 and \$16,682,216 for 2013). In addition, there was \$15,470,604 and \$13,447,370 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$2,500,958 for 2014 and \$377,346 for 2013.

**Wayne County School District**  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2014

**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 \$74,410,153, an increase of \$7,615,960, which includes the increase in inventory of \$4,751. \$697,857 or 1% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$73,712,296 or 99% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,779,150. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,679,077, which includes an increase in inventory of \$4,751. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Sixteenth Section Principal Fund	\$ 11,074,187

**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 fund is provided in this report as required supplementary information.

**Wayne County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$44,179,949, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$5,352,563 from 2013. Total accumulated depreciation as of June 30, 2014, was \$12,959,776, and total depreciation expense for the year was \$1,041,401, resulting in total net capital assets of \$31,220,173.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 223,257	223,257	0%
Construction in progress	4,891,465	1,000,983	389%
Buildings	20,512,662	20,969,574	(2)%
Building improvements	1,712,511	1,819,945	(6)%
Improvements other than buildings	1,904,939	298,318	539%
Mobile equipment	1,594,630	1,826,160	(13)%
Furniture and equipment	380,709	295,672	29%
<b>Total</b>	<u>\$ 31,220,173</u>	<u>26,433,909</u>	<u>18%</u>

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

**Debt Administration.** At June 30, 2014, the District had \$7,664,383 in outstanding long-term debt, of which \$740,000 is due within one year. The liability for compensated absences increased \$55,558 from the prior year.

**Wayne County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 2,170,000	2,660,000	(18)%
Three mill notes payable	2,185,000	2,405,000	(9)%
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Compensated absences payable	309,383	253,825	22%
<b>Total</b>	<u>\$ 7,664,383</u>	<u>8,318,825</u>	<u>(8)%</u>

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

**CURRENT ISSUES**

The Wayne County School District is 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 actively pursues grant funding to supplement the local, state and federal revenues.

Enrollment for the 2013 - 2014 year decreased by 7% to 3,358 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## FINANCIAL AUDIT REPORT

**WAYNE COUNTY SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 5,402,612
Due from other governments	1,772,661
Inventories	30,567
Restricted assets	70,425,831
Capital assets, non-depreciable:	
Land	223,257
Construction in progress	4,891,465
Capital assets, net of accumulated depreciation:	
Buildings	20,512,662
Building improvements	1,712,511
Improvements other than buildings	1,904,939
Mobile equipment	1,594,630
Furniture and equipment	380,709
Total Assets	<u>108,851,844</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow from advance refunding of debt	133,136
Total Deferred Outflows of Resources	<u>133,136</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	3,198,307
Interest payable on long-term liabilities	115,301
Other payables	23,211
Long-term liabilities, due within one year:	
Capital related liabilities	740,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	6,615,000
Bond premium, capital related	14,990
Bond discounts, capital related	(15,768)
Non-capital related liabilities	309,383
Total Liabilities	<u>11,000,424</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	23,999,087
Restricted For:	
Expendable:	
School-based activities	929,502
Debt service	1,296,189
Capital improvements	1,604,804
Unemployment benefits	80,150
Forestry improvements	127,438
Nonexpendable:	
Sixteenth section	69,259,498
Unrestricted	687,888
Total Net Position	<u>\$ 97,984,556</u>

The accompanying notes are an integral part of this statement.

## WAYNE COUNTY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
<i>Instruction</i>	\$ 18,352,907	\$ 844,594	\$ 2,387,941	\$ (15,120,372)
<i>Support services</i>	11,281,510	--	1,142,749	(10,138,761)
<i>Noninstructional services</i>	1,609,234	294,654	2,016,460	701,880
<i>Sixteenth section</i>	1,688,743	126,678	--	(1,562,065)
<i>Interest on long-term liabilities</i>	409,421	--	--	(409,421)
Total Governmental Activities	<u>\$ 33,341,815</u>	<u>\$ 1,265,926</u>	<u>\$ 5,547,150</u>	<u>(26,528,739)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				4,505,549
<i>Debt purpose levies</i>				199,083
Unrestricted grants and contributions:				
<i>State</i>				16,408,809
<i>Federal</i>				434,768
<i>Unrestricted investment earnings</i>				2,500,958
<i>Sixteenth section sources</i>				15,470,604
<i>Other</i>				77,783
Total General Revenues				<u>39,597,554</u>
Change in Net Position				<u>13,068,815</u>
Net Position - Beginning, as previously reported				85,001,160
Prior Period Adjustment				(85,419)
Net Position - Beginning, as restated				<u>84,915,741</u>
Net Position - Ending				<u>\$ 97,984,556</u>

The accompanying notes are an integral part of this statement.

**WAYNE COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
<i>Cash and cash equivalents</i>	\$ 1,326,301	\$ 1,579,141	\$ 4,078,845	\$ 6,984,287
<i>Cash with fiscal agents</i>	--	259,832	490,073	749,905
<i>Investments</i>	--	67,488,190	606,061	68,094,251
<i>Due from other governments</i>	338,736	--	1,232,236	1,570,972
<i>Due from other funds</i>	6,257,945	600,822	658,213	7,516,980
<i>Advances to other funds</i>	--	4,362,718	--	4,362,718
<i>Inventories</i>	--	--	30,567	30,567
<b>Total Assets</b>	<b>\$ 7,922,982</b>	<b>\$ 74,290,703</b>	<b>\$ 7,095,995</b>	<b>\$ 89,309,680</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
<i>Accounts payable and accrued liabilities</i>	\$ 1,499,654	\$ 765,395	\$ 933,258	\$ 3,198,307
<i>Due to other funds</i>	1,040,128	4,265,810	2,009,353	7,315,291
<i>Advances from other funds</i>	4,362,718	--	--	4,362,718
<i>Other payables</i>	23,211	--	--	23,211
<b>Total Liabilities</b>	<b>6,925,711</b>	<b>5,031,205</b>	<b>2,942,611</b>	<b>14,899,527</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	--	--	30,567	30,567
Permanent fund principal	--	64,896,780	--	64,896,780
Advances	--	4,362,718	--	4,362,718
<b>Restricted:</b>				
Unemployment benefits	--	--	80,150	80,150
Forestry improvements	--	--	127,438	127,438
Capital improvements	--	--	1,604,804	1,604,804
Debt service	--	--	1,411,490	1,411,490
Food service	--	--	845,483	845,483
Sixteenth section interest	--	--	53,452	53,452
<b>Assigned:</b>				
Activity funds	299,414	--	--	299,414
<b>Unassigned</b>	<b>697,857</b>	<b>--</b>	<b>--</b>	<b>697,857</b>
<b>Total Fund Balances</b>	<b>997,271</b>	<b>69,259,498</b>	<b>4,153,384</b>	<b>74,410,153</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,922,982</b>	<b>\$ 74,290,703</b>	<b>\$ 7,095,995</b>	<b>\$ 89,309,680</b>

The accompanying notes are an integral part of this statement.

**WAYNE COUNTY SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

Total fund balances for governmental funds balance sheet	\$ 74,410,153
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	31,220,173
Liabilities due in one year are not reported in the funds.	(740,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(4,655,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(115,301)
Payables for notes which are not due in the current period are not reported in the funds.	(1,960,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(309,383)
Bond premiums are reported in the SNP but not in the funds.	(14,990)
Bond discounts are reported in the SNP but not in the funds.	15,768
Loss on bond redemption is accounted for in the SNP but not in the funds.	<u>133,136</u>
Net position of governmental activities	<u>\$ 97,984,556</u>

The accompanying notes are an integral part of this statement.

**WAYNE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local sources	\$ 5,427,436	\$ 805,804	\$ 532,174	\$ 6,765,414
State sources	15,997,864	--	1,264,138	17,262,002
Federal sources	339,961	--	4,788,764	5,128,725
Sixteenth section sources	--	16,049,307	1,192,432	17,241,739
Total Revenues	<u>21,765,261</u>	<u>16,855,111</u>	<u>7,777,508</u>	<u>46,397,880</u>
<b>Expenditures:</b>				
Instruction	14,325,765	--	3,242,603	17,568,368
Support services	9,778,086	--	1,572,068	11,350,154
Noninstructional services	17,017	--	2,127,200	2,144,217
Sixteenth section	--	1,535,051	153,692	1,688,743
Facilities acquisition and construction	--	--	5,636,160	5,636,160
Debt service:				
Principal	--	--	710,000	710,000
Interest	34,098	--	299,365	333,463
Other	--	--	2,688	2,688
Total Expenditures	<u>24,154,966</u>	<u>1,535,051</u>	<u>13,743,776</u>	<u>39,433,793</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,389,705)</u>	<u>15,320,060</u>	<u>(5,966,268)</u>	<u>6,964,087</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	201,735	--	432,637	634,372
Sale of other property	12,750	--	--	12,750
Operating transfers in	5,266,498	--	5,148,554	10,415,052
Payment to QSCB debt escrow agent	--	--	191,519	191,519
Operating transfers out	(4,870,428)	(4,245,873)	(1,298,751)	(10,415,052)
Transfer to QSCB debt escrow agent	--	--	(191,519)	(191,519)
Total Other Financing Sources (Uses)	<u>610,555</u>	<u>(4,245,873)</u>	<u>4,282,440</u>	<u>647,122</u>
Net change in fund balances	<u>(1,779,150)</u>	<u>11,074,187</u>	<u>(1,683,828)</u>	<u>7,611,209</u>
<b>Fund Balances:</b>				
July 1, 2013	2,776,421	58,185,311	5,832,461	66,794,193
Increase (Decrease) in inventory	--	--	4,751	4,751
June 30, 2014	<u>\$ 997,271</u>	<u>\$ 69,259,498</u>	<u>\$ 4,153,384</u>	<u>\$ 74,410,153</u>

The accompanying notes are an integral part of this statement.

**WAYNE COUNTY SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014*

Net change in fund balances - total governmental funds	\$ 7,611,209
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,939,514
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,041,401)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(26,430)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	490,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	220,000
Bond issuance costs were expensed based on new GASB 65 implementation.	(64,155)
(Increase) decrease in accrued interest from beginning of period to end of period.	7,954
Change in inventory affects fund balance in the funds but expense in the SOA.	4,751
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(55,558)
Bond premiums are reported in the funds but amortized in the SOA.	1,666
Bond discounts are reported in the funds but amortized in the SOA.	(3,942)
Loss on bond redemption is amortized in SOA.	<u>(14,793)</u>
Change in net position of governmental activities	<u>\$ 13,068,815</u>

The accompanying notes are an integral part of this statement.

**WAYNE COUNTY SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 JUNE 30, 2014

	Agency Funds
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 330,307
<i>Due from other funds</i>	19,712
Total Assets	<u>\$ 350,019</u>
<b>Liabilities</b>	
<i>Due to student clubs</i>	\$ 128,618
<i>Due to other funds</i>	221,401
Total Liabilities	<u>\$ 350,019</u>

The accompanying notes are an integral part of this statement.

**Wayne County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

### Note 1 - Summary of Significant Accounting Policies

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

#### A. Financial Reporting Entity

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

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

#### B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund - This is a fiduciary fund that accounts for the assets and liabilities associated with the impress clearing activities of the non-payroll expenditure control cycle.

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

**Student Club Fund** - This is a fiduciary fund that accounts for the assets and liabilities associated with student club activities.

**Payroll Clearing Fund** - This is a fiduciary fund that accounts for the assets and liabilities associated with the impress clearing activities of the payroll expenditure control cycle.

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

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

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

### FIDUCIARY FUNDS

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

## C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

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

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

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

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

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

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

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2003, issued by the U.S. Department of Education.

### **D. Encumbrances**

An encumbrance system is not 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.

### **E. Assets, liabilities, deferred outflows, and net position/fund balances**

#### **1. Cash, Cash equivalents and Investments**

##### Cash and cash equivalents

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

##### Investments

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

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

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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.

### 5. Restricted Assets

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

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources expense until then. The district has a deferred outflow from advance refunding debt. See Note 15 for further details.

### 8. Compensated Absences

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

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

### 9. Long-term Liabilities and Bond Discounts/ Premiums

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

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

### 10. 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

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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. Currently there is no committed fund balance for this school district.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

*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 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 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

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,984,287 and \$330,307, 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, 2014, none of the district's bank balance of \$8,270,325 was exposed to custodial credit risk.

### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$749,905.

### Investments

As of June 30, 2014, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Securities	AAA	Less than one year	\$ 606,061
U.S. Government Securities	AAA	More than one year	24,184,869
U.S. Government Agency Bonds	AAA	More than one year	43,303,321
Total			\$ <u>68,094,251</u>

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside

**Wayne County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply. These investments are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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

**Note 3 - Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sixteenth Section Principal Fund	\$ 4,265,810
	Other Governmental Funds	1,770,734
	Fiduciary Fund	221,401
Sixteenth Section Principal Fund	General Fund	585,776
	Other Governmental Funds	15,046
Fiduciary Fund	General Fund	4,758
	Other Governmental funds	14,954
Other Governmental Funds	General Fund	449,594
	Other Governmental Funds	208,619
Total		\$ <u><u>7,536,692</u></u>

The primary purpose of the inter-fund receivables and payables are to close out the federal programs at year end.

**B. Advances To/From Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sixteenth Section Principal Fund	General Fund	\$ <u><u>4,362,718</u></u>

The advances to/from other funds are also referred to as Sixteenth Section Principal Loans payable. This type of interfund balance is described below.

Sixteenth section principal loans payable

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Fund) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 219,062	169,673	388,735
2016	227,825	160,910	388,735
2017	236,938	151,797	388,735
2018	246,415	142,320	388,735
2019	256,272	132,463	388,735
2020 - 2024	1,085,805	519,942	1,605,747
2025 - 2029	1,008,086	316,414	1,324,500
2030 - 2033	<u>1,082,315</u>	<u>242,016</u>	<u>1,324,331</u>
Total	<u>\$ 4,362,718</u>	<u>1,835,535</u>	<u>1,554,940</u>

### C. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 1,020,625
	Sixteenth Section Principal Fund	4,245,873
Other Governmental Funds	General Fund	4,870,428
	Other Governmental Funds	<u>278,126</u>
Total		<u>\$ 10,415,052</u>

The primary purpose of the inter-fund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is for the sinking fund payment to the QZAB escrow agent.

### Note 4 - Restricted Assets

The restricted assets represent the cash, cash with fiscal agents, and investment balances, totaling \$1,579,141, \$259,832, and \$67,488,190, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

# Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

In addition, the restricted assets represent the cash with fiscal agents balance totaling \$490,073, MAEP Limited Obligation Bond/Note Fund.

In addition, the restricted assets represent the cash and investment balances, totaling \$2,534 and \$606,061, respectively, of the QSCB Debt Retirement Fund.

## Note 5- Capital Assets

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

	Balance 7-1-2013	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2014
<u>Non-depreciable capital assets:</u>						
Land	\$ 223,257					223,257
Construction in progress	1,000,983	5,636,160		(1,745,678)		4,891,465
Total non-depreciable capital assets	1,224,240	5,636,160	0	(1,745,678)	0	5,114,722
<u>Depreciable capital assets:</u>						
Buildings	27,811,094			62,183		27,873,277
Building improvements	2,932,723					2,932,723
Improvements other than buildings	506,569			1,683,495		2,190,064
Mobile equipment	4,973,249	67,208	251,265		(8,900)	4,780,292
Furniture and equipment	1,379,511	236,146	130,258		(196,528)	1,288,871
Total depreciable capital assets	37,603,146	303,354	381,523	1,745,678	(205,428)	39,065,227
<u>Less accumulated depreciation for:</u>						
Buildings	6,841,520	519,095				7,360,615
Building improvements	1,112,778	107,434				1,220,212
Improvements other than buildings	208,251	76,874				285,125
Mobile equipment	3,147,089	264,711	226,138			3,185,662
Furniture and equipment	1,083,839	73,287	128,955		(120,009)	908,162
Total accumulated depreciation	12,393,477	1,041,401	355,093	0	(120,009)	12,959,776
Total depreciable capital assets, net	25,209,669	(738,047)	26,430	1,745,678	(85,419)	26,105,451
Governmental activities capital assets, net	\$ 26,433,909	4,898,113	26,430	0	(85,419)	31,220,173

Adjustments were needed to recognize deleted items in prior year but not recorded in the books.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 728,981
Support services	208,280
Non-instructional	104,140
Total depreciation expense	\$ 1,041,401

# Wayne County School District

## Notes to the Financial Statements For the Year Ended June 30, 2014

Construction in progress is composed of:

	Spent to June 30, 2014	Remaining Commitment
Bleachers/Stadium Addition - WCHS	\$ 1,514,659	446,268
Clara Elementary WWTF	139,275	207,675
Fieldhouse Project	532,324	587,398
Concessions/Restrooms	161,778	
Clara Elementary Reconstruction	2,543,429	2,531,002
	<u>\$ 4,891,465</u>	<u>3,772,343</u>

Construction projects included in governmental activities are funded from the QSCB Construction Fund and District Maintenance Fund.

### Note 6 - Long-term liabilities

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

	Balance 7-1-2013	Additions	Reductions	Balance 6-30-2014	Amounts due within one year
A. Limited obligation bonds payable	\$ 2,660,000		490,000	2,170,000	515,000
B. Three mill notes payable	2,405,000		220,000	2,185,000	225,000
C. Qualified school construction bonds payable	3,000,000			3,000,000	
D. Compensated absences payable	253,825	55,558		309,383	
Total	<u>\$ 8,318,825</u>	<u>55,558</u>	<u>710,000</u>	<u>7,664,383</u>	<u>740,000</u>

	Balance 7-1-2013	Change	Balance 6-30-2014
Bond Premiums	\$ 16,656	(1,666)	14,990
Bond Discounts	(19,710)	3,942	(15,768)
Total	<u>\$ (3,054) *</u>	<u>2,276</u>	<u>(778)</u>

\* Deferred loss on refunding is not disclosed in the long-term debt as presented in the prior year but fully explained in Note 15.

#### A. Limited Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Improvement Refunding Bonds, Series 2007	3.7-3.86%	02-27-07	11-01-17	\$ <u>4,555,000</u>	<u>2,170,000</u>

**Wayne County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 515,000	73,021	588,021
2016	530,000	53,218	583,218
2017	555,000	43,147	598,147
2018	570,000	22,002	592,002
Total	\$ <u>2,170,000</u>	<u>191,388</u>	<u>2,361,388</u>

This debt will be retired from the MAEP Debt Retirement 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 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 \$2,361,388. Principal and interest paid for the current year and total state Minimum Adequate Education Program revenues were \$581,967 and \$16,039,199, 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 notes, Series 2012	0.85-2.5%	05-01-12	05-01-23	\$ <u>2,475,000</u>	<u>2,185,000</u>

**Wayne County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 225,000	44,675	269,675
2016	230,000	42,425	272,425
2017	235,000	37,825	272,825
2018	240,000	33,125	273,125
2019	240,000	28,325	268,325
2020 - 2023	1,015,000	61,650	1,076,650
Total	<u>\$ 2,185,000</u>	<u>248,025</u>	<u>2,433,025</u>

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

**C. Qualified school construction bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable 2010A	5.50%	12-01-10	12-01-25	\$ 1,500,000	1,500,000
Qualified school construction bonds payable 2010B	5.25%	12-01-10	12-01-25	1,500,000	1,500,000
				<u>\$ 3,000,000</u>	<u>3,000,000</u>

Year Ending June 30	Principal	Interest	Total
2015	\$	161,250	161,250
2016		161,250	161,250
2017		161,250	161,250
2018		161,250	161,250
2019		161,250	161,250
2020 - 2024		806,250	806,250
2025 - 2026	3,000,000	322,500	3,322,500
Total	<u>\$ 3,000,000</u>	<u>1,935,000</u>	<u>4,935,000</u>

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

The School District has pledged a portion of future state Educational Enhancement Funds for Buildings and Buses to repay \$3,000,000 in Qualified School Construction Bonds payable issued. Proceeds from the bonds were used to improve the District's buildings. The bonds are payable in part from the pledge and other District monies and are payable through December 1, 2025. Annual transfers to the escrow agent are expected to require all of such state revenues. The total remaining transfers to be made to the escrow agent are \$2,400,000. Transfers for the current year from the total Educational Enhancement Funds for Buildings and Buses was \$204,939. The total sinking fund deposit made during the current year was \$191,519.

### **D. Compensated absences payable**

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

### **Note 7 - Other Commitments**

Commitments under construction contracts are described in Note 5.

### **Note 8 - Prior Year Defeasance of Debt**

In prior years, the Wayne County School District defeased certain limited obligation and other 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 accounts assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2014, \$1,655,000 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.

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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 as of June 30, 2014 was 15.75% 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, 2014, 2013, and 2012 were \$2,635,959, \$2,308,345, and \$2,050,261, respectively, which equaled the required contributions for each year.

### Note 10 - Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 11 - 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 all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all users 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
2015	\$	90,534
2016		46,364
2017		33,296
2018		26,861
2019		23,591
2020 - 2024		68,795
2025 - 2029		8,655
2030 - 2034		3,592
Total	\$	<u>301,688</u>

## Wayne County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

### 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. As of June 30, 2014, Quitman School District filed a lawsuit against Wayne County School District to recover certain monies that they claim are owed to them relating to royalties from oil wells located on sixteenth section land situated in a shared township.

### Note 13 - Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2014 was \$606,061. The amount accumulated in the sinking fund at the end of the fourteen-year period will be sufficient to retire the debt. The following schedule

## Wayne County School District

### Notes to the Financial Statements For the Year Ended June 30, 2014

reports the annual deposits to be made to the sinking fund by the school district, which may impact the final amount required to be deposited to repay the bonds, including actual interest rates received and when the investment is actually compounded.

Year Ending June 30	Amount
2015	\$ 200,000
2016	200,000
2017	200,000
2018	200,000
2019	200,000
2020 - 2024	1,000,000
2025 - 2026	400,000
Total	\$ <u>2,400,000</u>

#### Note 14 - Insurance Loss Recoveries

The Wayne County School District received \$634,372 in insurance loss recoveries related to fire and storm damage during the 2013 - 2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as noninstructional services.

#### Note 15 - Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$23,999,087 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance refunding of school district debt. In the prior year, the deferred outflow of resources at June 2013 was \$147,929. The \$133,136, balance of the deferred outflow of resources at June 30, 2014 will be recognized as an expense and decrease the net investment in capital assets net position.

#### Note 16 - Prior Period Adjustments

A summary of significant Net Position adjustment is as follows:

##### Exhibit B - Statement of Activities

Explanation	Amount
Adjustments were needed to recognize deleted items in prior year but not recorded in the books.	\$ <u>(85,419)</u>

## **Wayne County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

### **Note 17 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Wayne County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statement.

REQUIRED SUPPLEMENTARY INFORMATION

**WAYNE COUNTY SCHOOL DISTRICT**

Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2014

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 5,429,155	5,447,437	5,427,436	18,282	(20,001)
State sources	15,917,675	15,997,864	15,997,864	80,189	0
Federal sources	404,000	339,961	339,961	(64,039)	0
Sixteenth section sources	(55,000)	-	-	55,000	0
Total Revenues	<u>21,695,830</u>	<u>21,785,262</u>	<u>21,765,261</u>	<u>89,432</u>	<u>(20,001)</u>
<b>Expenditures:</b>					
Instruction	13,717,168	14,355,865	14,325,765	(638,697)	30,100
Support services	8,380,191	9,795,104	9,778,086	(1,414,913)	17,018
Noninstructional services	-	-	17,017	-	(17,017)
Facilities acquisition and construction	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	34,098	34,098	(34,098)	-
Other	62,806	-	-	62,806	-
Total Expenditures	<u>22,160,165</u>	<u>24,185,067</u>	<u>24,154,966</u>	<u>(2,024,902)</u>	<u>30,101</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(464,335)</u>	<u>(2,399,805)</u>	<u>(2,389,705)</u>	<u>(1,935,470)</u>	<u>10,100</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds of loan	-	3,600,000	-	3,600,000	(3,600,000)
Insurance recovery	-	201,735	201,735	201,735	0
Sale of the property	-	12,750	12,750	12,750	0
Operating transfers in	-	5,028,589	5,266,498	5,028,589	237,909
Other financing sources	4,575,000	-	-	(4,575,000)	0
Operating transfers out	-	(7,247,065)	(4,870,428)	(7,247,065)	2,376,637
Other financing uses	(3,750,000)	-	-	3,750,000	0
Total Other Financing Sources (Uses)	<u>825,000</u>	<u>1,596,009</u>	<u>610,555</u>	<u>771,009</u>	<u>(985,454)</u>
Net Change in Fund Balances	<u>360,665</u>	<u>(803,796)</u>	<u>(1,779,150)</u>	<u>(1,164,461)</u>	<u>(975,354)</u>
<b>Fund Balances:</b>					
July 1, 2013, as previously reported	4,269,226	2,776,422	2,776,421	(1,492,804)	(1)
Prior period adjustments	-	(9,899)	-	(9,899)	9,899
July 1, 2013, as restated	<u>4,269,226</u>	<u>2,766,523</u>	<u>2,776,421</u>	<u>(1,502,703)</u>	<u>9,898</u>
June 30, 2014	\$ <u>4,629,891</u>	<u>1,962,727</u>	<u>997,271</u>	<u>(2,667,164)</u>	<u>(965,456)</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## Wayne County School District

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2014

### Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

## SUPPLEMENTARY INFORMATION

**WAYNE COUNTY SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

<b>Federal Grantor/ Pass-through Grantor/ Program Title/</b>	<b>Catalog of Federal Domestic Assistance No.</b>	<b>Federal Expenditures</b>
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 614,180
National School Lunch Program	10.555	1,467,862
Summer Food Service Program for Children	10.559	13,207
Total Child Nutrition cluster		2,095,249
Total passed-through the Mississippi Department of Education		2,095,249
Passed-through Wayne County, Mississippi:		
Schools and Roads - Grants to States	10.665	188,384
Total passed-through Wayne County, Mississippi		188,384
<b>Total U.S. Department of Agriculture</b>		<b>2,283,633</b>
<b><u>U. S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	53,023
<b>Total U.S. Department of Defense</b>		<b>53,023</b>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	98,554
<b>Total Federal Communications Commission</b>		<b>98,554</b>
<b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,131,621
Career and Technical Education - Basic Grants to States	84.048	66,469
Rural Education	84.358	50,679
Improving Teacher Quality - State Grants	84.367	174,244
Teacher Incentive Fund	84.374	124,172
Subtotal		1,547,185
Special Education Cluster:		
Special Education - Grants to States	84.027	886,418
Special Education - Preschool Grants	84.173	112,082
Total Special Education Cluster		998,500
Total passed-through the Mississippi Department of Education		2,545,685
<b>Total U.S. Department of Education</b>		<b>2,545,685</b>
Total for All Federal Awards		\$ <b>4,980,895</b>

**NOTES TO SCHEDULE**

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**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2014

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefit: \$	23,645,318	17,585,571	1,047,760	1,829,361	3,182,626
Other	15,788,475	1,990,777	522,809	45,218	13,229,671
Total	\$ 39,433,793	19,576,348	1,570,569	1,874,579	16,412,297
Total number of students *	3,358				
Cost per student	\$ 11,743	5,830	467	558	4,888

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 functions: Support Services - School Administration.

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

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

## OTHER INFORMATION

**WAYNE COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
 General Fund  
 Last Four Years

"UNAUDITED"

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 5,427,436	5,397,596	5,073,862	4,995,932
State sources	15,997,864	15,232,893	15,293,450	14,543,308
Federal sources	339,961	407,560	505,888	948,661
Total Revenues	<u>21,765,261</u>	<u>21,038,049</u>	<u>20,873,200</u>	<u>20,487,901</u>
<b>Expenditures:</b>				
Instruction	14,325,765	14,244,356	12,771,750	11,384,885
Support services	9,778,086	9,520,463	8,401,658	8,497,656
Noninstructional services	17,017	34,996	40,815	46,044
Facilities acquisition and construction	-	1,030	54,271	31,510
Debt service:				
Principal	-	-	14,345	27,719
Interest	34,098	16,164	37,072	31,687
Total Expenditures	<u>24,154,966</u>	<u>23,817,009</u>	<u>21,319,911</u>	<u>20,019,501</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,389,705)</u>	<u>(2,778,960)</u>	<u>(446,711)</u>	<u>468,400</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	201,735	5,000	54,504	25,631
Sale of transportation equipment	-	7,982	-	-
Sale of other property	12,750	400	1,000	388
Operating transfers in	5,266,498	2,476,031	3,109,796	1,818,900
Operating transfers out	(4,870,428)	(1,248,743)	(1,344,464)	(802,235)
Total Other Financing Sources (Uses)	<u>610,555</u>	<u>1,240,670</u>	<u>1,820,836</u>	<u>1,042,684</u>
Net Change in Fund Balances	<u>(1,779,150)</u>	<u>(1,538,290)</u>	<u>1,374,125</u>	<u>1,511,084</u>
<b>Fund Balances:</b>				
July 1, as previously reported	2,776,421	4,238,521	2,833,266	1,314,434
Prior period adjustment	-	76,190	31,130	7,748
July 1, as restated	<u>2,776,421</u>	<u>4,314,711</u>	<u>2,864,396</u>	<u>1,322,182</u>
June 30,	<u>\$ 997,271</u>	<u>2,776,421</u>	<u>4,238,521</u>	<u>2,833,266</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**WAYNE COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
 All Governmental Funds  
 Last Four Years

"UNAUDITED"

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 6,765,414	5,869,117	5,742,782	5,654,045
State sources	17,262,002	16,945,231	17,120,259	16,325,162
Federal sources	5,128,725	5,654,414	5,962,071	14,038,595
Sixteenth section sources	17,241,739	13,817,015	16,076,963	10,908,215
Total Revenues	<u>46,397,880</u>	<u>42,285,777</u>	<u>44,902,075</u>	<u>46,926,017</u>
<b>Expenditures:</b>				
Instruction	17,568,368	17,441,242	16,079,861	16,448,446
Support services	11,350,154	11,905,713	9,920,780	9,925,701
Noninstructional services	2,144,217	2,189,403	2,403,755	2,046,651
Sixteenth section	1,688,743	1,312,825	920,116	298,751
Facilities acquisition and construction	5,636,160	938,913	3,027,898	7,307,486
Debt service:				
Principal	710,000	690,000	669,345	627,719
Interest	333,463	340,023	397,284	307,867
Other	2,688	5,337	76,987	-
Total Expenditures	<u>39,433,793</u>	<u>34,823,456</u>	<u>33,496,026</u>	<u>36,962,621</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>6,964,087</u>	<u>7,462,321</u>	<u>11,406,049</u>	<u>9,963,396</u>
<b>Other Financing Sources (Uses):</b>				
Bonds issued	-	-	-	3,000,000
Insurance recovery	634,372	4,666,085	54,504	25,631
Refunding bonds issued	-	-	2,475,000	-
Payment to QSCB debt escrow agent	191,519	200,000	200,000	2,621,135
Premiums on refunding bonds issued	-	-	19,988	-
Transfer to refunding bond escrow agent	-	-	(2,418,000)	-
Transfer to QSCB debt escrow agent	(191,519)	(200,000)	(200,000)	-
Sale of transportation equipment	-	7,982	-	-
Sale of other property	12,750	2,419	1,000	388
Operating transfers in	10,415,052	3,724,774	4,449,248	-
Operating transfers out	(10,415,052)	(3,724,774)	(4,449,248)	(2,621,135)
Total Other Financing Sources (Uses)	<u>647,122</u>	<u>4,676,486</u>	<u>132,492</u>	<u>3,026,019</u>
Net Change in Fund Balances	<u>7,611,209</u>	<u>12,138,807</u>	<u>11,538,541</u>	<u>12,989,415</u>
<b>Fund Balances:</b>				
July 1, as previously reported	66,794,193	54,590,417	43,022,257	29,616,217
Prior period adjustments	-	61,441	31,130	405,063
July 1, as restated	<u>66,794,193</u>	<u>54,651,858</u>	<u>43,053,387</u>	<u>30,021,280</u>
Increase (Decrease) in inventory	4,751	3,528	(1,511)	11,562
June 30,	<u>\$ 74,410,153</u>	<u>66,794,193</u>	<u>54,590,417</u>	<u>43,022,257</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Wayne County School District

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Wayne County School District's basic financial statements, and have issued our report thereon dated August 5, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Findings 2014-001, 2014-002, 2014-003 and 2014-004.

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Wayne County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Wayne County School District's Responses to the Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
August 5, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board  
Wayne County School District

**Report on Compliance for Each Major Federal Program**

We have audited Wayne County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wayne County School District's major federal program for the year ended June 30, 2014. The Wayne County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Wayne County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Wayne County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2014-005 and 2014-006. Our opinion on each major federal program is not modified with respect to these matters.

## **Report on Internal Control Over Compliance**

Management of the Wayne County School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wayne County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings 2014-005 and 2014-006 that we consider to be significant deficiencies.

Wayne County School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Wayne County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 5, 2015

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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, 2014, which collectively comprise Wayne County School District's basic financial statements and have issued our report thereon dated August 5, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$0 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

1929 SPILLWAY ROAD  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Finding 1:**

### Criteria:

Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), sets forth requirements for the division of Enhancement funds for classroom supplies and materials. These requirements state that Federally funded teachers do not qualify for allocated funds.

### Condition:

We noted seventeen (17) instances where Federally funded teachers were allocated unexpended, unobligated, carryforward monies from the previous year.

### Cause:

The district failed to develop a system that would ensure only non-federally funded teachers and other qualifying personnel in the district receive procurement cards.

### Effect:

The district was required to refund \$4,947, which represents the classroom supply fund allocation of \$291 each spent by these teachers during the fiscal year ended June 30, 2014. Payment was made on December 2, 2014 in the amount of \$4,947 to Mississippi Department Procurement Account resolving these issues.

### Recommendation:

We recommend the district to develop a system that will ensure only non-federally funded teachers and other qualifying personnel in the district receive such procurement cards.

### Response:

The district will properly identify individuals who qualify for state procurement cards.

## **Finding 2:**

### Criteria:

Section 37-61-19, Miss. Code Ann. (1972), sets forth the guidelines for the development and approval of original and amended school district budgeting procedures.

### Condition:

The school district failed to approve a budget that was available in an individual fund format as its original budget. Therefore, a fund by fund original budget was not available.

### Cause:

This noncompliance occurred because the district did not properly reconcile expenditures with resources available.

### Effect:

Noncompliance with Section 37-61-19, Miss. Code Ann. (1972), could result in the district violating state laws regarding limiting expenditures to resources available for each fiscal year.

Recommendation:

We recommend that the district prepare an original budget for each fund and then compile the various fund budgets into an overall budget that can be approved by the school board. The board should approve both the combining and combined budgets. We further recommend that any budget revisions be approved by the October 15 deadline following the end of each fiscal year.

Response:

The district will prepare budgets on a fund by fund basis in the future and will also present all amendments to the board before the deadline set forth in state statute.

**Finding 3:**

Criteria:

Section 31-7-13, Miss. Code Ann. (1972), governs requirements for the purchasing of commodities with public monies.

Condition:

Our testing revealed five (5) instances where competitive quote/bid procedures were not followed when making purchases.

Cause:

This noncompliance occurred because the district did not comply with state purchasing laws.

Effect:

Noncompliance with Section 31-7-13, Miss. Code Ann. (1972), could result in the district violating state purchasing laws.

Recommendation:

We recommend the district tighten controls to ensure that all purchases meeting the dollar amount for required competitive quote/bid procedures be subjected to competitive quotes or bids.

Response:

The district will further tighten controls to ensure that State Purchasing Laws are followed.

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 ensure 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, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 5, 2015

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Wayne County School District**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? Yes.
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes.
7. Identification of major programs:

<u>CFDA Numbers:</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

## **Material Weaknesses:**

### **Finding 2014-001:**

#### Criteria:

The district is responsible for developing and implementing a system of internal accounting controls surrounding cash and cash equivalents and the reconciliation of such assets held in banking institutions with the general ledger on a monthly basis.

#### Condition:

The activity funds bank statements for the 2013 - 2014 year were not completed on a timely basis.

#### Cause:

The process of reconciling bank statements was not highly prioritized.

#### Effect:

A failure to perform accurate, timely (monthly) bank reconciliations limits the ability of district management to provide the school board with financial information that can be considered accurate. The school board must then make decisions based on information that may not be complete or accurate.

#### Recommendation:

We recommend that timely, accurate bank reconciliations be performed at the end of each month.

### **Finding 2014-002:**

#### Criteria:

The district is responsible for developing and implementing a system of internal accounting controls surrounding non-payroll expenditures that will provide assurances that amounts recorded as non-payroll expenditures have occurred and are complete; that an obligation existed for the transactions recorded; that the valuation of each transaction is correct; that the classification of each transaction is correct; and that all transactions are properly classified in the correct accounting period.

#### Condition:

A review of the controls surrounding non-payroll expenditures revealed two (2) instances where invoices were not cancelled; five (5) instances of noncompliance where quotes were required; twenty-four (24) instances where the purchase order was dated after invoice.

#### Cause:

The likely cause is a lack of training for new personnel and a lack of monitoring of control systems by central office staff.

#### Effect:

The effect of these control deficiencies increases the control risk surrounding non-payroll expenditures.

Recommendation:

We recommend that controls be reviewed and strengthened; that personnel at both the central office level and the local school level be trained to recognize and enforce controls; and that central office personnel monitor the controls for compliance.

**Finding 2014-003:**

Criteria:

The district is responsible for developing controls surrounding financial accounting records that will ensure that the appropriate transactions are recorded and that the appropriate entries are posted to reflect the accrual basis of accounting for governmental funds.

Condition:

Our test work revealed unrecorded claims payable on the WCHS Field House totaling \$39,290 as well as unrecorded retainage payable on the Clara Elementary WWTF and Clara Elementary Reconstruction totaling \$123,488.

Cause:

Controls were not in place to ensure that all transactions are properly documented in the financial records of the district.

Effect:

The effect of these control deficiencies increases the risk of material misstatement to the financial statements. Audit adjustments were proposed, accepted, and posted to the accounting records in order to properly reflect amounts for the year ended June 30, 2014.

Recommendation:

We recommend that the district ensure that all staff with accounting duties are adequately trained in year end closing procedures in accordance with generally accepted accounting principles.

**Finding 2014-004:**

Criteria:

An effective system of internal control requires that all assets are well documented.

Condition:

During the course of our audit, the District did not have a system in place to provide auditors with detailed documentation related to construction projects during the year.

Cause:

The District had no controls in place to monitor proper cost allocation and capitalization of multiple projects.

Effect:

The lack of controls could result in missing or unaccounted capital assets.

Recommendation:

The District should implement controls and procedures to monitor proper cost allocation and capitalization of projects.

Section III: Federal Awards Findings and Questioned Costs

The results of our tests disclosed the following of findings and questioned costs related to the federal awards.

**Significant Deficiencies and Noncompliance**

**Finding 2014-005:**

Program: Child Nutrition Cluster, Passed-Through the Mississippi Department of Education

CFDA# 10.553 - School Breakfast Program

CFDA# 10.555 - National School Lunch Program

CFDA# 10.559 - Summer Food Service Program for Children

Compliance requirement: Reporting

Criteria:

Management is responsible for complying with the requirements of the Mississippi Department of Education's Policies and Procedures Manual for Child Nutrition Programs, which requires that the school district's "Monthly Claim for Reimbursement - School Lunch and School Breakfast" report be received by the Mississippi Department of Education by the 10<sup>th</sup> day of the month following the reporting month.

Condition:

During the test work surrounding the submission of the "Monthly Claim for Reimbursement - School Lunch and School Breakfast" report by the proper deadline, we noted that four of the ten required reports were not submitted to the Mississippi Department of Education by the 10<sup>th</sup> of the month.

Cause:

The district failed to develop a system that would ensure "Monthly Claim for Reimbursement - School Lunch and School Breakfast" are submitted by the 10<sup>th</sup> of the month.

Effect:

Lack of adequate internal controls concerning the timely submission of the "Monthly Claim for Reimbursement - School Lunch and School Breakfast" reports by the proper deadline could result in the district not receiving its federal reimbursement in a timely manner to cover the expenditures of the program.

Recommendation:

The district should implement policies and procedures to ensure compliance with the reporting requirements of the Child Nutrition Cluster.

**Finding 2014-006:**

Program: Special Education - Preschool Grants  
Passed-Through the Mississippi Department of Education  
CFDA# 84.173

Compliance requirement: Activities Allowed or Unallowed

Criteria:

According to the Mississippi Department of Education Office of Special Education 2013-2014 grant agreement, a school district may use federal funds under the Preschool Grants Program only for the costs of providing special education and related services to children with disabilities at a State's discretion, providing a free appropriate public education to 2 year old children with disabilities who will turn three during the school year. The grant agreement provides a list of special education employees that were approved and budgeted that should be paid from special education preschool grant funds.

Condition:

During the course of our audit, we noted the salary expenditures \$112,082 exceeded the approved budget \$44,550 amount for the fiscal year.

Cause:

Controls were not in place to ensure approved special education preschool salaries were correctly charged in accordance with grant budget.

Effect:

Failure to develop a system to ensure only the approved budgeted salaries are paid for as agreed with these funds state the effect.

Recommendation:

We recommend that the district develop and utilize a system to ensure that the list of special education employees that were budgeted and approved should be paid from special education preschool grant funds and stay within the budget approved.

AUDITEE'S CORRECTIVE ACTION PLAN AND  
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

# WAYNE COUNTY SCHOOL DISTRICT

*"Creating a Culture of Learning"*

## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the \_Wayne County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2014:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2014-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Patrick Busby Phone Number: 6012-735-4871</p> <p>b. Corrective Action Planned: Statements will be reconciled each month. All activity fund statements will be reconciled by school monthly by each school and verified by Business Manager.</p> <p>c. Anticipated Completion Date: District starts immediately.</p>
2014-002	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Patrick Busby Phone Number: 6012-735-4871</p> <p>b. Corrective Action Planned: School District has scheduled training with Central Access on remote link administration, accounts payable, tracking requisitions and ensuring proper quotes are submitted. Training will be ongoing to ensure everyone is properly trained and updated.</p> <p>c. Anticipated Completion Date: District starts immediately, First training date is 23 September 2015, with Central Access personnel.</p>

Ben H. Graves  
Superintendent of Education  
R.P. Staten  
Deputy Superintendent  
Sandra Waller  
Assistant Superintendent  
DeJuan Walley  
Assistant Superintendent

# WAYNE COUNTY SCHOOL DISTRICT

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Fred Andrews, District 2  
George Alsworth, District 3  
Al Smith, District 4  
Robert Dean, District 5  
Marcus Evans, Board Attorney

2014-003

a. Name of Contact Person Responsible for Corrective Action

Name: Patrick Busby, Business Manager, Ginger Perry,  
Accounts Payable.

Phone Number: 6012-735-4871

b. Corrective Action Planned: The district hired a Property Manager to plan and track fixed assets. End of the year training to ensure proper close out for the end of the year. This includes tracking and monitoring all construction in progress and correctly tagging all completed projects within the district.

c. Anticipated Completion Date: District starts immediately, and ongoing throughout the year.

2014-004

a. Name of Contact Person Responsible for Corrective Action

Name: Patrick Busby, Business Manager, Ginger Perry,  
Accounts Payable and Fixed Asset Manager.

Phone Number: 6012-735-4871

b. Corrective Action Planned: The district hired a Property Manager to plan and track fixed assets. The fixed asset manager has produce a standard operating procedure manual for tracking all fixed assets within the district.

c. Anticipated Completion Date: District starts immediately, and ongoing throughout the year.

2014-005

a. Name of Contact Person Responsible for Corrective Action

Name: Jackie Henry, CN Manager.

Phone Number: 6012-735-4871

b. Corrective Action Planned: The CN Manager will complete and send CN reimbursement request by the 10<sup>th</sup> of the month.

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- c. Anticipated Completion Date: District starts immediately, and ongoing throughout the year.

2014-006

- a. Name of Contact Person Responsible for Corrective Action

Name: Patrick Busby, Business Manager, Tina Harrison, Federal Programs Director, and Mavis Daniels, Payroll.

Phone Number: 6012-735-4871

- b. Corrective Action Planned: The Business Manager, Federal Programs Director and Payroll Clerk is working together to ensure proper coding of all federal and special education salaries. A yearly budget is being developed and coded correctly to ensure proper placement and pay for each teacher.
- c. Anticipated Completion Date: District starts immediately, and ongoing throughout the year.

Ben H. Graves  
Superintendent of Education  
R.P. Staten  
Deputy Superintendent  
Sandra Waller  
Assistant Superintendent  
DeJuan Walley  
Assistant Superintendent

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## SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section \_\_.315(b) of OMB Circular A-133, the \_\_\_\_\_ School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2014:

<u>Finding</u>	<u>Status</u>
2013-07	Corrected
2013-08	Corrected
2013-09	Corrected