

OFFICE OF CHIEF OPERATIONS OFFICER
Summary of State Board of Education Agenda Items
Consent Agenda
May 18, 2023

OFFICE OF SCHOOL FINANCIAL SERVICES

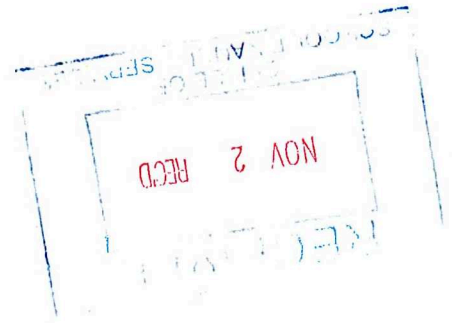
- N. Approval to release the Wayne County School District from the Mississippi Department of Education oversight in accordance with MS Code Section 37-9-18 (2)(e)

Recommendation: Approval

Back-up material attached



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
 AUDITOR



November 22, 2019

Mississippi State Board of Education
 P.O. Box 771
 Jackson, MS 39205-0771

Members,

We have received the audited financial report for Wayne County School District (the district) for the fiscal year ended June 30, 2017. Section 37-9-18(2), Mississippi Code Annotated (1972), states in part, "If the auditor's opinion on the general purpose financial statements is a disclaimer, as that term is defined by generally accepted auditing standards, or if the State Auditor determines the existence of serious financial conditions in the district, the State Auditor shall immediately notify the State Board of Education. Upon receiving notice, the State Superintendent of Public Education shall direct the school district to immediately cease all expenditures until a financial advisor is appointed by the state superintendent."

While there was not a disclaimer of opinion issued, we feel that a serious financial condition in the school district exists. The opinions issued on the financial statements are as follows:

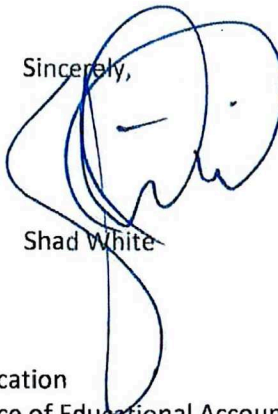
<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Adverse
Food Service Fund	Qualified
Sixteenth Section Principal Fund	Adverse
Aggregate Remaining Fund Information	Qualified

There is a cash deficit balance of \$7,949,748 on the Statement of Net Position. The general fund has a deficit fund balance of \$14,074,915 and a deficit cash balance of \$7,513,374. Due to the lack of budgetary controls that resulted in spending more resources than available, the district is financially unstable.

The district is in default on sixteenth section principal and interest loan payments for multiple fiscal years. The last fiscal year the district fully satisfied the debt obligations was for the 2014 fiscal year. The district was in default for the 2015, 2016, and 2017 fiscal years. As of the report date, the district was also in default on the 2018 and 2019 fiscal years. The auditor also determined that the district had made unlawful transfers of interest earned from the Sixteenth Section Principal Trust funds. As stated in the findings of the audit report, the district is in violation of the following code sections: Section 29-3-113, Miss. Code Ann. (1972), as it relates to borrowing of Sixteenth Section Principal Trust funds states, "No school land trust funds may be expended after the annual payment date until the payment is made

on such loan. The annual payment can be made from any funds available to the school district except minimum foundation program funds. It shall be unlawful for the board of education to borrow any sixteenth section school funds in any other manner than that prescribed herein, and if any such funds shall be borrowed or invested in any other manner, any officer concerned in making such loan and investment or suffering the same to be made in violation of the provisions of this section, shall be liable personally and on his official bond for the safety of the funds so loaned." Section 29-3-57, Miss. Code Ann. (1972), as it relates to borrowing of Sixteenth Section Principal Trust funds also states," It shall be the duty of the superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section funds."

In accordance with Section 37-9-18(2), Mississippi Code Annotated (1972), we are hereby notifying the Mississippi State Board of Education that a serious financial condition exists for the Wayne County School District for the year ended June 30, 2017. Please let us know if our office can be of any further assistance in this matter.

Sincerely,

Shad White

CC: Dr. Carey M. Wright, State Superintendent of Education
Sonya M. Amis, Deputy State Superintendent Office of Educational Accountability
Letitia Johnson, Bureau Director II, Office of School Financial Services

Miss. Code Ann. § 37-9-18

Copy Citation

Current through 2022 Regular Session legislation including changes and corrections made by the Joint Legislative Committee on Compilation, Revision and Publication of Legislation.

- [Mississippi Code 1972 Annotated](#)
- [Title 37. Education \(Chs. 1 – 187\)](#)
- [Chapter 9. District Superintendents, Principals, Teachers, and Other Employees \(§§ 37-9-1 – 37-9-251\)](#)
- [In General \(§§ 37-9-1 – 37-9-81\)](#)

§ 37-9-18. State Board of Education to promulgate rules and regulations regarding financial reports to be submitted by superintendents to local school boards; audits of financial records; contracts; review of audit report.

(1)

(a) The State Board of Education shall promulgate rules and regulations concerning the type of financial reports required to be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted. The rules and regulations promulgated by the board shall include:

(i) A requirement that the reports be listed as an agenda item for discussion at a regularly scheduled meeting of the board;

(ii) A requirement that the minutes of the board meeting reflect that the reports were discussed;

(iii) A requirement that each board member present be provided a copy of all required reports; and

(iv) A requirement that a copy of all required reports be included in the official minutes of the board meeting at which the reports were discussed.

(b) The State Board of Education is authorized to require school districts to submit any of the required reports to the State Department of Education on a basis determined by the department.

(c) Failure to comply with any of the rules and regulations established by the State Board of Education with regard to reporting requirements shall constitute a violation of the Mississippi Public School Accountability Standards.

(2) The State Auditor shall audit the financial records of school districts in accordance with Section 7-7-211(e). The State Auditor shall give reasonable notice to school districts regarding the times during which the State Auditor will perform such audits. In any fiscal year in which the State Auditor is not scheduled to perform an audit, the school board shall cause all the financial records of the superintendent of schools to be audited in accordance with Section 7-7-211(e). If the school board so elects by resolution adopted each year, the audit shall be performed by the State Auditor. Contracts for the audit of public school districts shall be let by the school board in the manner prescribed by the State Auditor. The audit shall be conducted in accordance with generally accepted auditing standards and generally accepted accounting principles, and the report presented thereon shall be in accordance with generally accepted accounting principles. If the Auditor's opinion on the general purpose financial statements is a disclaimer, as that term is defined by generally accepted auditing standards, or if the State Auditor determines the existence of serious financial conditions in the district, the State Auditor shall immediately notify the State Board of Education. Upon receiving the notice, the State Superintendent of Public Education shall direct the school district to immediately cease all expenditures until a financial advisor is appointed by the state superintendent. However, if the

disclaimer is a result of conditions caused by Hurricane Katrina 2005 and applies to fiscal years 2005 and/or 2006, then the Superintendent of Education may appoint a financial advisor, and may direct the school district to immediately cease all expenditures until a financial advisor is appointed. The financial advisor shall be an agent of the State Board of Education and shall be a certified public accountant or a qualified business officer. Unless the financial advisor is an employee of the State of Mississippi, they shall be deemed an independent contractor. The financial advisor shall, with the approval of the State Board of Education:

- (a) Approve or disapprove all expenditures and all financial obligations of the district;
- (b) Ensure compliance with any statutes and State Board of Education rules or regulations concerning expenditures by school districts;

(c) Review salaries and the number of all district personnel and make recommendations to the local school board of any needed adjustments. Should such recommendations necessitate the reduction in local salary supplement, such recommended reductions shall be only to the extent which will result in the salaries being comparable to districts similarly situated, as determined by the State Board of Education. The local school board, in considering either a reduction in personnel or a reduction in local supplements, shall not be required to comply with the time limitations prescribed in Sections 37-9-15 and 37-9-105 and, further, shall not be required to comply with Sections 37-19-11 and 37-19-7(1) in regard to reducing local supplements and the number of personnel;

(d) Work with the school district's business office to correct all inappropriate accounting procedures and/or uses of school district funds and to prepare the school district's budget for the next fiscal year;

(e) Report frequently to the State Board of Education on the corrective actions being taken and the progress being made in the school district. The financial advisor shall serve until such time as corrective action and progress is being made in such school district as determined by the State Board of Education with the concurrence of the State Auditor, or until such time as an interim conservator is assigned to such district by the State Board of Education under Section 37-17-6. The school district shall be responsible for all expenses associated with the use of the financial advisor. If the audit report reflects a failure by the school district to meet accreditation standards, the State Board of Education shall proceed under Section 37-17-6; and

(f) If a financial advisor is appointed to a school district in accordance with this subsection and it is determined by the financial advisor and/or any other official of the school district that an audit by a certified public accountant for that district was deficient in any manner, the financial advisor and/or any other official of the school district shall, within thirty (30) days, refer the matter to the State Board of Public Accountancy for follow-up and possible disciplinary action. Any disciplinary action by the State Board of Public Accountancy with regard to the certified public accountant shall, within thirty (30) days after notifying such certified public accountant, be reported to the Office of State Auditor.

(3)

(a) When conducting an audit of a public school district, the State Auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii) relating to classroom supply funds. The audit must include a report of all classroom supply funds carried over from previous years. Based upon the audit report, the State Auditor shall compile a report on the compliance or noncompliance by all school districts with the requirements of Section 37-61-33(3)(a)(iii), which report must be submitted to the Chairmen of the Education and Appropriations Committees of the House of Representatives and Senate.

(b) When conducting an audit of a public school district, the State Auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing correct and appropriate functional level expenditure codes in expenditures by the school district. Compliance standards for this audit provision shall be established by the Office of the State Auditor. Based upon the audit report, the State Auditor shall compile a report on the compliance or noncompliance by all

public school districts with correct and appropriate coding at the function level, which report must be submitted to the Chairmen of the Education and Appropriations Committees of the House of Representatives and Senate.

(4) In the event the State Auditor does not perform the audit examination, then the audit report of the school district shall be reviewed by the State Auditor for compliance with applicable state laws before final payment is made on the audit by the school board. All financial records, books, vouchers, cancelled checks and other financial records required by law to be kept and maintained in the case of municipalities shall be faithfully kept and maintained in the office of the superintendent of schools under the same provisions and penalties provided by law in the case of municipal officials.

History

Laws, 1986, ch. 492, § 202; Laws, 1987, ch. 307, § 12; Laws, 1992, ch. 524, § 3; Laws, 1996, ch. 302, § 6; Laws, 1997, ch. 386, § 1; Laws, 2002, ch. 403, § 1; Laws, 2005, 5th Ex Sess, ch. 5, § 1; Laws, 2006, ch. 504, § 9; Laws, 2006, ch. 550, § 2; brought forward without change, Laws, 2009, ch. 345, § 10; Laws, 2009, ch. 516, § 7; Laws, 2013, ch. 566, § 3; Laws, 2016, ch. 424, § 1, eff from and after July 1, 2016.

Mississippi Code 1972 Annotated
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MISSISSIPPI DEPARTMENT OF EDUCATION

Mike Kent

Interim State Superintendent of Education

May 19, 2023

Mr. Tommy Branch, Superintendent
Wayne County School District
810 Chickasaw Street
Waynesboro, MS 39367

Dear Mr. Branch,

We have reviewed the audited financial report for the Wayne County School District for the fiscal year ended June 30, 2022. The district has made remarkable progress to clear the serious financial condition that existed as of fiscal year ended June 30, 2017, as noted in the letter dated November 22, 2019, from the Office of the State Auditor.

In accordance with MS Code Section 37-9-18 (2)(e), I am hereby notifying the Wayne County School District of the release from the Mississippi Department of Education (MDE) financial oversight. Please contact Dr. Felicia Gavin at fgavin@mdek12.org, if you have any questions or need further assistance.

Sincerely,

A handwritten signature in blue ink that reads "Michael D. Kent". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael D. Kent
Interim State Superintendent of Education

Enclosure