

OFFICE OF CHIEF OPERATIONS OFFICER
Summary of State Board of Education Agenda Items
December 19, 2019

OFFICE OF CHIEF OPERATIONS

04. Approval of appointment of a Financial Advisor for the Wayne County School District [Goals 1, 2, 3, 4, 5, and 6 – MBE Strategic Plan] (Felicia Gavin)

This item references Goals 1, 2, 3, 4, 5, and 6 of the *Mississippi Board of Education 2018-2022 Strategic Plan*

Recommendation: Approval

Back-up material attached



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
 AUDITOR

RECEIVED

NOV 25 2019

MS DEPT. OF EDUCATION
 EDUCATIONAL ACCOUNTABILITY

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

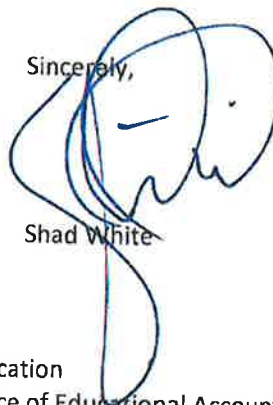
There is a cash deficit balance of \$7,949,748 on the Statement of Net Position. The general fund has a deficit fund balance of \$14,074,915 and a deficit cash balance of \$7,513,374. Due to the lack of budgetary controls that resulted in spending more resources than available, the district is financially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

A handwritten signature in blue ink, appearing to read "Shad White". The signature is highly stylized and cursive, with a large loop at the top and a long, sweeping tail that extends downwards.

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