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WESTERN LINE SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2014

WESTERN LINE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Western Line School District  
Avon, Mississippi

### **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 Western Line School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Western Line 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 entity'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 Western Line 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 7-15 and 40-45 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Line 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.

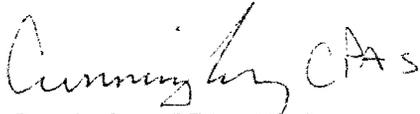
The supplementary information section, which includes the accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative 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 November 12,

2014, on our consideration of the Western Line 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 Western Line School District's internal control over financial reporting and compliance.

  
Cunningham CPAs, PLLC

Belzoni, Mississippi

November 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

## WESTERN LINE SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of Western Line 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 \$392,979, including a prior period adjustment of (\$101,182), and which represents a 2% increase from fiscal year 2013. Total net position for 2013 increased \$425,535, including a prior period adjustment of \$39,764, which represents a 2% increase from fiscal year 2012.
- General revenues amounted to \$14,563,930 and \$14,368,677, or 80% and 81% 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 \$3,581,108, or 20% of total revenues for 2014, and \$3,460,321, or 19% of total revenues for 2013.
- The District had \$17,650,877 and \$17,443,227 in expenses for fiscal years 2014 and 2013; only \$3,581,108 for 2014 and \$3,460,321 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,563,930 for 2014 were adequate to provide for these programs and \$14,368,677 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,327,226 in revenues and \$13,982,640 in expenditures for 2014, and \$14,290,216 in revenues and \$13,682,175 in expenditures in 2013. The General Fund's fund balance increased by \$13,571, including a prior period adjustment of (\$101,182), from 2013 to 2014, and increased by \$122,024, including a prior period adjustment of \$14,764, from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$330,960 for 2014 and increased by \$879,564, including a prior period adjustment of \$25,000 for 2013. The decrease for 2014 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$250,000 for 2014 and decreased by \$165,000 for 2013. This decrease for 2014 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$25,350 for 2014 and increased by \$17,187 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 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.

## WESTERN LINE SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

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.

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

WESTERN LINE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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.

**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 and each major special revenue 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 \$20,139,998 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.

WESTERN LINE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

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

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	\$ 11,711,761	\$ 10,041,536	16.63 %
Restricted assets	1,921,463	2,012,914	-4.54 %
Capital assets, net	10,245,014	10,575,974	-3.13 %
<b>Total assets</b>	<b>23,878,238</b>	<b>22,630,424</b>	<b>5.51 %</b>
Current liabilities	1,130,185	-	N/A %
Long-term debt outstanding	2,608,055	2,883,405	-9.55 %
<b>Total liabilities</b>	<b>3,738,240</b>	<b>2,883,405</b>	<b>29.65 %</b>
<b>Net position:</b>			
Net investment in capital assets	7,745,014	7,825,974	-1.03 %
Restricted	2,731,799	3,912,122	-30.17 %
Unrestricted	9,663,185	8,008,923	20.66 %
<b>Total net position</b>	<b>\$ 20,139,998</b>	<b>\$ 19,747,019</b>	<b>1.99 %</b>

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

- Decrease in net capital assets in the amount of \$330,960.
- The principal retirement of \$250,000 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 \$18,145,038 and \$17,828,998, respectively. The total cost of all programs and services was \$17,650,877 for 2014 and \$17,443,227 for 2013.

WESTERN LINE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 431,176	\$ 423,768	1.75 %
Operating grants and contributions	3,149,932	2,976,668	5.82 %
Capital grants and contributions	-	59,885	(100.00) %
General revenues:			
Property and gaming taxes	5,632,692	5,519,501	2.05 %
Grants and contributions not restricted	8,245,699	8,349,928	(1.25) %
Investment earnings	124,554	138,448	(10.04) %
Sixteenth section sources	445,457	280,434	58.85 %
Other	115,528	80,366	43.75 %
<b>Total revenues</b>	<b>18,145,038</b>	<b>17,828,998</b>	<b>1.77 %</b>
<b>Expenses:</b>			
Instruction	10,029,351	9,989,016	0.40 %
Support services	6,284,648	6,085,496	3.27 %
Non-instructional	1,266,508	1,342,377	(5.65) %
Sixteenth section	43,715	14,160	208.72 %
Interest on long-term liabilities and other debt service costs	26,655	12,178	118.88 %
<b>Total expenses</b>	<b>17,650,877</b>	<b>17,443,227</b>	<b>1.19 %</b>
<b>Increase (Decrease) in net position</b>	<b>494,161</b>	<b>385,771</b>	<b>28.10 %</b>
<b>Net Position, July 1, as originally reported</b>	<b>19,747,019</b>	<b>19,321,484</b>	<b>2.20 %</b>
<b>Prior period adjustment</b>	<b>(101,182)</b>	<b>39,764</b>	<b>(354.46) %</b>
<b>Net Position, July 1, as restated</b>	<b>19,645,837</b>	<b>19,361,248</b>	<b>1.47 %</b>
<b>Net Position, June 30</b>	<b>\$ 20,139,998</b>	<b>\$ 19,747,019</b>	<b>1.99 %</b>

**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.

WESTERN LINE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

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

	Total Expenses		Percentage Change
	2014	2013	
Instruction	\$ 10,029,351	\$ 9,989,016	0.40 %
Support services	6,284,648	6,085,496	3.27 %
Non-instructional	1,266,508	1,342,377	(5.65) %
Sixteenth section	43,715	14,160	208.72 %
Interest on long-term liabilities and other debt service costs	26,655	12,178	118.88 %
<b>Total expenses</b>	<b>\$ 17,650,877</b>	<b>\$ 17,443,227</b>	<b>1.19 %</b>

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (8,695,711)	\$ (8,728,489)	(0.38) %
Support services	(5,506,464)	(5,346,870)	2.98 %
Non-instructional	202,776	118,791	70.70 %
Sixteenth section	(43,715)	(14,160)	208.72 %
Interest on long-term liabilities and other debt service costs	(26,655)	(12,178)	118.88 %
<b>Total net (expense) revenue</b>	<b>\$ (14,069,769)</b>	<b>\$ (13,982,906)</b>	<b>0.62 %</b>

- Net cost of governmental activities (\$14,069,769 for 2014 and \$13,982,906 for 2013) was financed by general revenue, which is primarily made up of property and gaming taxes (\$5,632,692 for 2014 and \$5,519,501 for 2013) and state and federal revenues (\$8,245,699 for 2014 and \$8,349,928 for 2013). In addition, there was \$445,457 and \$280,434 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$124,554 for 2014 and \$138,448 for 2013.

**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 \$12,403,744, an increase of \$349,295, including a prior period adjustment of (\$101,182), and which includes a decrease in inventory of \$1,920. \$8,081,955 or 65% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,321,789 or 35% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

WESTERN LINE SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2014

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$13,571, including a prior period adjustment of (\$101,182). The fund balance of Other Governmental Funds showed a decrease in the amount of \$34,313, which includes a decrease in reserve for inventory of \$1,920, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Title I Fund	\$	(37,200)
IDEA Part B Fund		No increase (decrease)
16th Section Interest Fund	\$	407,237

**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 each major special revenue fund is provided in this report as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$19,248,166, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$186,317 from 2013. Total accumulated depreciation as of June 30, 2014, was \$9,003,152, and total depreciation expense for the year was \$617,253, resulting in total net capital assets of \$10,245,014.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 145,940	\$ 145,940	0.00 %
Buildings	5,764,749	5,944,523	(3.02) %
Building improvements	2,001,143	2,154,953	(7.14) %
Improvements other than buildings	1,238,406	1,290,974	(4.07) %
Mobile equipment	811,292	712,752	13.83 %
Furniture and equipment	283,484	326,832	(13.26) %
<b>Total</b>	<b>\$ 10,245,014</b>	<b>\$ 10,575,974</b>	<b>(3.13) %</b>

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

WESTERN LINE SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2014

**Debt Administration.** At June 30, 2014, the District had \$2,608,055 in outstanding long-term debt, of which none is due within one year. The liability for compensated absences decreased \$25,350 from the prior year.

**Table 5  
 Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Qualified zone academy bonds payable	\$ 1,000,000	\$ 1,250,000	(20.00) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	108,055	133,405	(19.00) %
<b>Total</b>	<b><u>\$ 2,608,055</u></b>	<b><u>\$ 2,883,405</u></b>	<b>(9.55) %</b>

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

**CURRENT ISSUES**

The Western Line 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 are 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.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Western Line School District, P.O. Box 50, Avon, Mississippi 38723.

FINANCIAL STATEMENTS

**WESTERN LINE SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2014**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 11,039,881
Due from other governments	634,361
Inventories	37,519
Restricted assets	1,921,463
Capital assets, non-depreciable:	
Land	145,940
Capital assets, net of accumulated depreciation:	
Buildings	5,764,749
Building improvements	2,001,143
Improvements other than buildings	1,238,406
Mobile equipment	811,292
Furniture and equipment	283,484
Total Assets	23,878,238
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,118,905
Interest payable on long-term liabilities	11,280
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,500,000
Non-capital related liabilities	108,055
Total Liabilities	3,738,240
<b>Net Position</b>	
Net investment in capital assets	7,745,014
Restricted for:	
Expendable:	
School-based activities	581,250
Debt service	1,488,067
Forestry improvements	19,893
Unemployment benefits	45,222
Non-expendable:	
Sixteenth section	597,367
Unrestricted	9,663,185
Total Net Position	\$ 20,139,998

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

**WESTERN LINE SCHOOL DISTRICT**

**Statement of Activities**  
For the Year Ended June 30, 2014

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 10,029,351	\$ 153,793	\$ 1,179,847	\$ -	\$ (8,695,711)
Support services	6,284,648	-	778,184	-	(5,506,464)
Non-instructional	1,266,508	277,383	1,191,901	-	202,776
Sixteenth section	43,715	-	-	-	(43,715)
Interest on long-term liabilities and other debt service costs	26,655	-	-	-	(26,655)
<b>Total Governmental Activities</b>	<b>\$ 17,650,877</b>	<b>\$ 431,176</b>	<b>\$ 3,149,932</b>	<b>\$ -</b>	<b>\$ (14,069,769)</b>

**General Revenues:**

Taxes:

General purpose levies	5,475,398
Debt purpose levies	63,177
Gaming taxes	94,117

Unrestricted grants and contributions:

State	8,096,546
Federal	149,153
Unrestricted investment earnings	124,554
Sixteenth section	445,457
Other	115,528

Total General Revenues 14,563,930

Change in Net Position 494,161

Net Position - Beginning, as originally reported 19,747,019

Prior period adjustment (101,182)

Net Position - Beginning, as restated 19,645,837

Net Position - Ending \$ 20,139,998

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

**WESTERN LINE SCHOOL DISTRICT**

Governmental Funds

**Balance Sheet**  
June 30, 2014

**Exhibit C**

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	16th Section Interest Fund	Other Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents	\$ 8,427,068	\$ 161,020	\$ 50,200	\$ 1,523,495	\$ 1,492,631	11,654,414
Cash with fiscal agents	-	-	-	-	721	721
Investments	-	-	-	-	1,306,209	1,306,209
Due from other governments	249,803	224,942	108,377	-	51,039	634,161
Due from other funds	379,052	-	-	-	-	379,052
Inventories	-	-	-	-	37,519	37,519
<b>Total assets</b>	<b>9,055,923</b>	<b>385,962</b>	<b>158,577</b>	<b>1,523,495</b>	<b>2,888,119</b>	<b>14,012,076</b>
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 826,649	\$ 161,020	\$ 50,200	\$ 19,975	\$ 61,061	1,118,905
Due to other funds	-	224,942	108,377	-	45,533	378,852
<b>Total Liabilities</b>	<b>826,649</b>	<b>385,962</b>	<b>158,577</b>	<b>19,975</b>	<b>106,594</b>	<b>1,497,757</b>
<b>Deferred Inflows of Resources</b>						
Deferred revenue	73,375	37,200	-	-	-	110,575
<b>Total Deferred Inflows of Resources</b>	<b>73,375</b>	<b>37,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,575</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	-	-	37,519	37,519
Permanent fund principal	-	-	-	-	597,367	597,367
<b>Restricted:</b>						
Debt service	-	-	-	-	1,499,347	1,499,347
Capital projects	-	-	-	-	1,246	1,246
Forestry improvement purposes	-	-	-	-	19,893	19,893
Grant activities	-	(37,200)	-	-	580,931	543,731
Unemployment benefits	-	-	-	-	45,222	45,222
<b>Assigned:</b>						
Activity funds	73,944	-	-	-	-	73,944
Sixteenth section	-	-	-	1,503,520	-	1,503,520
<b>Unassigned</b>	<b>8,081,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,081,955</b>
<b>Total Fund Balances</b>	<b>8,155,899</b>	<b>(37,200)</b>	<b>-</b>	<b>1,503,520</b>	<b>2,781,525</b>	<b>12,403,744</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 9,055,923</b>	<b>\$ 385,962</b>	<b>\$ 158,577</b>	<b>\$ 1,523,495</b>	<b>\$ 2,888,119</b>	<b>14,012,076</b>

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

**WESTERN LINE SCHOOL DISTRICT**

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2014**

**Exhibit C-1**

<b>Total fund balances for governmental funds</b>	\$	12,403,744	
Amounts reported for governmental activities in the statement of net position are different because:			
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Land	\$	145,940	
Buildings		10,466,203	
Building improvements		3,789,643	
Improvements other than buildings		1,748,599	
Mobile equipment		1,862,617	
Furniture and equipment		1,235,164	
Accumulated depreciation		<u>(9,003,152)</u>	10,245,014
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:			
Qualified zone academy bonds payable		(1,000,000)	
Qualified school construction bonds payable		(1,500,000)	
Compensated absences payable		(108,055)	
Accrued interest payable		<u>(11,280)</u>	(2,619,335)
3. Revenues that are not available within 60 days are deferred in the governmental funds. However, those revenues are recognized when earned in the government-wide financial statements.			
			<u>110,575</u>
<b>Net position of governmental activities</b>	\$		<u><u>20,139,998</u></u>

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

**WESTERN LINE SCHOOL DISTRICT**

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2014**

**Exhibit D**

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	16th Section Interest Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 6,013,927	\$ -	\$ -	\$ -	\$ 226,588	\$ 6,240,515
State sources	8,191,361	-	-	-	149,210	8,340,571
Federal sources	121,938	874,934	509,606	-	1,480,449	2,986,927
Sixteenth section sources	-	-	-	440,257	26,194	466,451
<b>Total Revenues</b>	<b>14,327,226</b>	<b>874,934</b>	<b>509,606</b>	<b>440,257</b>	<b>1,882,441</b>	<b>18,034,464</b>
<b>Expenditures:</b>						
Instruction	8,335,090	596,995	315,403	-	414,483	9,661,971
Support services	5,647,550	300,580	190,771	-	266,703	6,405,604
Noninstructional services	-	6,559	-	-	1,202,704	1,209,263
Sixteenth section	-	-	-	38,220	5,495	43,715
Debt service:						
Principal	-	-	-	-	250,000	250,000
Interest	-	-	-	-	12,225	12,225
Other	-	-	-	-	3,150	3,150
<b>Total Expenditures</b>	<b>13,982,640</b>	<b>904,134</b>	<b>506,174</b>	<b>38,220</b>	<b>2,154,760</b>	<b>17,585,928</b>
Excess (Deficiency) of Revenues over (under) Expenditures	344,586	(29,200)	3,432	402,037	(272,319)	448,536
<b>Other Financing Sources (Uses):</b>						
Sale of transportation equipment	1,308	-	-	-	-	1,308
Sale of other property	2,553	-	-	-	-	2,553
Transfer from QSCB debt service agent	-	-	-	-	103,998	103,998
Payment to QSCB escrow agent	-	-	-	-	(103,998)	(103,998)
Operating transfers in	52,932	-	-	5,200	345,963	404,095
Operating transfers out	(286,626)	(8,000)	(3,432)	-	(106,037)	(404,095)
<b>Total Other Financing Sources (Uses)</b>	<b>(229,833)</b>	<b>(8,000)</b>	<b>(3,432)</b>	<b>5,200</b>	<b>239,926</b>	<b>3,861</b>
<b>Net Change in Fund Balances</b>	<b>114,753</b>	<b>(37,200)</b>	<b>-</b>	<b>407,237</b>	<b>(32,393)</b>	<b>452,397</b>
<b>Fund Balances:</b>						
July 1, 2013, as originally reported	8,142,328	-	-	1,096,283	2,815,838	12,054,449
Prior period adjustments	(101,182)	-	-	-	-	(101,182)
July 1, 2013, as restated	8,041,146	-	-	1,096,283	2,815,838	11,953,267
Decrease in reserve for inventory	-	-	-	-	(1,920)	(1,920)
<b>June 30, 2014</b>	<b>\$ 8,155,899</b>	<b>\$ (37,200)</b>	<b>\$ -</b>	<b>\$ 1,503,520</b>	<b>\$ 2,781,525</b>	<b>\$ 12,403,744</b>

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

**WESTERN LINE SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2014**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 452,397

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 299,247	
Depreciation expense	<u>(617,253)</u>	(318,006)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

(12,954)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	250,000	
Accrued interest payable	<u>(11,280)</u>	238,720

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	25,350	
Change in inventory reserve	<u>(1,920)</u>	23,430

5. Revenues that are not available within 60 days are deferred in the governmental funds. However, those revenues are recognized when earned in the government-wide financial statements.

110,575

Rounding (1)

**Change in net position of governmental activities** **\$ 494,161**

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

WESTERN LINE SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2014

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 114,045
Total Assets	<u>\$ 114,045</u>
<b>Liabilities</b>	
Accounts payable and other accrued liabilities	\$ 83,041
Due to other funds	200
Due to student clubs	30,804
Total Liabilities	<u>\$ 114,045</u>

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

# WESTERN LINE SCHOOL DISTRICT

## Notes to the Financial Statements For 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, Western Line 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.
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.

WESTERN LINE SCHOOL DISTRICT

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

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.

Title I Fund - This is the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

IDEA Part B Fund - This fund provides revenues for children with disabilities with a free and appropriate education.

Sixteenth Section Interest Fund - This is a special revenue fund that accounts for investment activity financed through Sixteenth Section property rental activity and timber sales less expenditures for maintenance and improvements to said property.

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 fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

WESTERN LINE SCHOOL DISTRICT

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

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.

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.

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.

WESTERN LINE SCHOOL DISTRICT

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

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 resulting from approved purchase orders, work orders and contracts.

**E. Assets, liabilities, deferred outflows/inflows 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.

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.

WESTERN LINE SCHOOL DISTRICT

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

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 Zone Academy Bond 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.

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.

WESTERN LINE SCHOOL DISTRICT

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

7. Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows on Exhibit C are made up of deferred revenues in the amount of \$110,575, whose cash receipts did not occur within 60 days of year-end.

See Note 13 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 which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, 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 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.

## WESTERN LINE SCHOOL DISTRICT

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

*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 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 or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

#### **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.

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements  
For 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 \$11,654,414 and \$114,045, respectively. The bank balance was \$11,796,324.

*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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$721.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Hancock - Money Market Funds	AAAm	Less than 1 year	\$ 943,481
Trustmark - Construction Bonds			
Common Trust Fund 2012-A	Unrated	Less than 1 year	<u>362,728</u>
Total			<u>\$ 1,306,209</u>

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Hancock Money Market Funds and the Trustmark Common Trust Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2014, the district had the following investments:

WESTERN LINE SCHOOL DISTRICT

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

Issuer	Fair Value	% of Total Investments
Hancock - Money Market Funds	\$ 943,481	72%
Trustmark - QSCB Construction Bonds Common Trust Fund 2012-A	362,728	28%
	<u>\$ 1,306,209</u>	<u>100%</u>

**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**

Receivable Fund	Payable Fund	Amount
General fund	Title I fund	\$ 224,942
	IDEA Part B fund	108,377
	Other governmental funds	45,533
	Fiduciary fund	200
Total		<u>\$ 379,052</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 286,626
	General fund	8,000
Title I fund	General fund	3,432
IDEA Part B fund	General fund	41,500
Other governmental funds	16th section interest fund	5,200
	Other governmental funds	59,337
Total		<u>\$ 404,095</u>

The primary purpose of the interfund 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 the indirect cost allocation from the general fund.

WESTERN LINE SCHOOL DISTRICT

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

**Note 4 – Restricted Assets**

The restricted assets represents the cash balance, totaling \$597,367, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash and investment balances, totaling \$17,166 and \$362,728, respectively, of the QSCB sinking fund.

In addition, the restricted assets represent the cash with fiscal agents and investments balance, totaling \$721 and \$943,481, respectively, of the QZAB sinking fund.

**Note 5 – Capital Assets**

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

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 145,940	\$ -	\$ -	\$ 145,940
Total non-depreciable capital assets	145,940	-	-	145,940
<u>Depreciable capital assets:</u>				
Buildings	10,466,203	-	-	10,466,203
Building improvements	3,789,643	-	-	3,789,643
Improvements other than buildings	1,748,599	-	-	1,748,599
Mobile equipment	1,711,439	240,500	(89,322)	1,862,617
Furniture and equipment	1,200,025	58,747	(23,608)	1,235,164
Total depreciable capital assets	18,915,909	299,247	(112,930)	19,102,226
<u>Less accumulated depreciation for:</u>				
Buildings	4,521,680	179,774	-	4,701,454
Building improvements	1,634,690	153,810	-	1,788,500
Improvements other than buildings	457,625	52,568	-	510,193
Mobile equipment	998,687	133,028	(80,390)	1,051,325
Furniture and equipment	873,193	98,073	(19,586)	951,680
Total accumulated depreciation	8,485,875	617,253	(99,976)	9,003,152
Total depreciable capital assets, net	10,430,034	(318,006)	(12,954)	10,099,074
Governmental activities capital assets, net	\$ 10,575,974	\$ (318,006)	\$ (12,954)	\$ 10,245,014

WESTERN LINE SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 432,077
Support services	123,451
Non-instructional	61,725
<b>Total depreciation expense - Governmental activities</b>	<b>\$ 617,253</b>

**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. Qualified zone academy bonds payable	\$ 1,250,000	-	\$ (250,000)	\$ 1,000,000	-
B. Qualified school construction bonds payable	1,500,000	-	-	1,500,000	-
C. Compensated absences payable	133,405	-	(25,350)	108,055	-
<b>Total</b>	<b>\$ 2,883,405</b>	<b>-</b>	<b>\$ (275,350)</b>	<b>\$ 2,608,055</b>	<b>-</b>

**A. Qualified zone academy bonds payable**

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trustmark National Bank	0.00%	12/1/2005	12/1/2015	\$ 1,000,000	\$ 1,000,000

**B. Qualified school construction bonds payable**

As more fully explained in Note 12, 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	0.94%	12/23/2009	9/15/2024	\$ 1,500,000	\$ 1,500,000

**C. 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.

WESTERN LINE SCHOOL DISTRICT

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

**Note 7 – Defined Benefit Pension Plan**

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate 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 \$1,430,996, \$1,299,813 and \$1,108,133, respectively, which equaled the required contributions for each year.

**Note 8 – Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by 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	\$ 240,817
2016	217,962
2017	123,862
2018	121,859
Total	<u>\$ 704,500</u>

**Note 9 – 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. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

## WESTERN LINE SCHOOL DISTRICT

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

#### **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 – Qualified Zone Academy Bonds**

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred in certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with NEF CyberLearning, has entered into such an arrangement dated December 1, 2005. Under this agreement, NEF CyberLearning was to provide the school district with instructional courses for the approved academy price of \$28,800 to the school with a retail value of \$280,800 and a contribution value of \$115,200. The software for the above courses was provided on December 9, 2005 which fulfilled the share cost requirements of the Qualified Zone Academy Bond.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before January 27 of each year. The amount on deposit at June 30, 2014, was \$944,202. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The school district is not presenting a schedule of future deposits to the QZAB due to all required principal payments have been deposited into the sinking fund.

#### **Note 12 – 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. The amount on deposit at June 30, 2014 was \$362,728. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

WESTERN LINE SCHOOL DISTRICT

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

Year Ending June 30		Amount
2015	\$	104,000
2016		104,000
2017		104,000
2018		104,000
2019		104,000
2020-2024		515,000
2025		103,000
Total	\$	<u>1,138,000</u>

**Note 13 – Effect of Deferred Amounts on the Governmental Funds Fund Balance**

The governmental funds fund balance amount of \$12,403,744 includes the effect of deferring the recognition of revenue from local and federal sources that did not become available within 60 days of year-end. The \$110,575 balance of the deferred inflow of resources at June 30, 2014 will be recognized as revenue and increase the governmental funds fund balance during fiscal year 2015. The government-wide financial statements are prepared under the full accrual basis of accounting and as such those revenues deferred on the governmental funds financial statements are recognized as revenue on the statement of activities during fiscal year 2014.

**Note 14 – Deficit Fund Balance of Individual Funds**

The Title I fund has a deficit fund balance of (\$37,200) at June 30, 2014. This deficit is due to revenues being deferred that did not become available within 60 days of year-end. Those revenues will be recognized in fiscal year 2015. This deficit fund balance does not result in a violation of state laws and regulations.

**Note 15 - Interlocal Transportation Agreement**

The school district entered into an Interlocal Transportation Agreement dated January 1, 1992 creating the Washington County School Bus Facility. This agreement was created pursuant to the provisions of Sections 37-7-403 and 37-41-35, Miss. Code of 1972, and approved by the State Board of Education and includes the Western Line School District, Hollandale School District and Leland School District.

Section 37-7-403, Miss. Code Ann. (1972), allows two or more adjoining school districts to join, unite and cooperate in the construction, erecting and equipping of a school building or other school facility situated within the boundaries of either or any of the cooperating districts which is to be used jointly by the school districts uniting and joining in the construction, erecting and equipping thereof.

Section 37-41-35, Miss. Code Ann. (1972), states the school board may establish, maintain and operate a school bus garage or shop for the servicing, repair and maintenance of such county-owned or district-owned buses. Two (2) or more counties or school districts are authorized, in the discretion of the respective school boards thereof, jointly to establish, maintain and operate a school bus garage or shop for the servicing, repair and maintenance of such county-owned or school district-owned buses. All of such garages or shops shall be established, maintained and operated under such rules and regulations as may be promulgated by the State Board of Education.

Full responsibility for transportation of students establishment, maintenance and operating of a school bus garage or repair facility for the servicing, repair, and maintenance of district-owned school buses and other vehicles was transferred from the Washington County Board of Education to the districts. The

WESTERN LINE SCHOOL DISTRICT

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

present facility and school buses were purchased by the Board of Education with transportation funds allocated to the districts. The facility was appraised as having a fair market value of \$84,000, and Western Line has agreed to purchase the entire interest of Hollandale and Leland for the sum of \$28,000 each. The Board of Education executed and delivered a recordable warranty deed conveying the facility to Western Line upon being furnished satisfactory evidence it has acquired the interests of the other districts. The basic purpose of this agreement is to achieve economy in the garaging, repair and maintenance of district-owned buses, maintaining adequate inventories of oil, lubricants and spare parts and operation of the facility. All expenses not directly allocable to individual district-owned buses or other vehicles (i.e., oil, lubricants, repairs, replacement of tires, parts, labor, etc.) shall initially be borne by the districts in the following proportions:

District	Buses	%
Western Line	37	57.8
Hollandale	14	21.9
Leland	13	20.3

The above percentages can be adjusted on the basis of actual costs or minimum program receipts for transportation for the preceding school year on July 1, 1992, and thereafter at 12-month intervals to insure an equitable allocation as between districts. Western Line shall have sole responsibility for, and the authority to operate, manage, govern and control all operations of the facility, including specifics detailed in the agreement.

Each district shall receive and have control over state funds distributed for transportation purposes, and shall be responsible for the purchase of new buses if, as and when needed. The facility's responsibilities shall be limited to housing, maintenance, and repair of buses, including spares.

The Western Line School District has been designated as the lead school district for the Washington County School Bus Facility and the operations of the agreement are included in the financial statements.

**Note 16 - Prior Period Adjustments**

A summary of significant net position/fund balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanations	Amount
1. To correct errors in recording e-rate revenue in prior periods.	\$ (101,182)
Total	\$ <u>(101,182)</u>

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

Fund	Explanations	Amount
General fund	To correct errors in recording e-rate revenue in prior periods.	\$ (101,182)
	Total	\$ <u>(101,182)</u>

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements  
For 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 Western Line School District evaluated the activity of the district through November 12, 2014, (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 statements.

REQUIRED SUPPLEMENTARY INFORMATION

**WESTERN LINE SCHOOL DISTRICT**  
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 5,905,908	\$ 6,055,987	\$ 6,013,927	\$ 150,079	\$ (42,060)
State sources	8,106,472	8,191,361	8,191,361	84,889	-
Federal sources	100,000	13,315	121,938	(86,685)	108,623
<b>Total Revenues</b>	<b>14,112,380</b>	<b>14,260,663</b>	<b>14,327,226</b>	<b>148,283</b>	<b>66,563</b>
<b>Expenditures:</b>					
Instruction	8,819,422	8,345,655	8,335,090	473,767	10,565
Support services	5,827,548	5,655,823	5,647,550	171,725	8,273
Facilities acquisition and construction	85,900	-	-	85,900	-
<b>Total Expenditures</b>	<b>14,732,870</b>	<b>14,001,478</b>	<b>13,982,640</b>	<b>731,392</b>	<b>18,838</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(620,490)</b>	<b>259,185</b>	<b>344,586</b>	<b>879,675</b>	<b>85,401</b>
<b>Other Financing Sources (Uses):</b>					
Sale of transportation equipment	-	1,308	1,308	1,308	-
Sale of other property	-	2,553	2,553	2,553	-
Operating transfers in	2,796,889	2,527,237	52,932	(269,652)	(2,474,305)
Operating transfers out	(2,842,509)	(2,760,931)	(286,626)	81,578	2,474,305
<b>Total Other Financing Sources (Uses)</b>	<b>(45,620)</b>	<b>(229,833)</b>	<b>(229,833)</b>	<b>(184,213)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(666,110)</b>	<b>29,352</b>	<b>114,753</b>	<b>695,462</b>	<b>85,401</b>
<b>Fund Balances:</b>					
July 1, 2013, as originally reported	8,142,328	8,142,328	8,142,328	-	-
Prior period adjustment	-	-	(101,182)	-	(101,182)
July 1, 2013, as restated	8,142,328	8,142,328	8,041,146	-	(101,182)
June 30, 2014	<b>\$ 7,476,218</b>	<b>\$ 8,171,680</b>	<b>\$ 8,155,899</b>	<b>\$ 695,462</b>	<b>\$ (15,781)</b>

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

**WESTERN LINE SCHOOL DISTRICT**  
Required Supplementary Information

**Budgetary Comparison Schedule**  
**Title I Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 999,625	\$ 912,134	\$ 874,934	\$ (87,491)	\$ (37,200)
<b>Total Revenues</b>	<b>999,625</b>	<b>912,134</b>	<b>874,934</b>	<b>(87,491)</b>	<b>(37,200)</b>
<b>Expenditures:</b>					
Instruction	634,298	634,184	596,995	114	37,189
Support services	347,057	300,580	300,580	46,477	-
Noninstructional services	9,970	9,069	6,559	901	2,510
<b>Total Expenditures</b>	<b>991,325</b>	<b>943,833</b>	<b>904,134</b>	<b>47,492</b>	<b>39,699</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>8,300</b>	<b>(31,699)</b>	<b>(29,200)</b>	<b>(39,999)</b>	<b>2,499</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(8,300)	(9,128)	(8,000)	(828)	1,128
<b>Total Other Financing Sources (Uses)</b>	<b>(8,300)</b>	<b>(9,128)</b>	<b>(8,000)</b>	<b>(828)</b>	<b>1,128</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(40,827)</b>	<b>(37,200)</b>	<b>(40,827)</b>	<b>3,627</b>
<b>Fund Balances:</b>					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ (40,827)	\$ (37,200)	\$ (40,827)	\$ 3,627

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

**WESTERN LINE SCHOOL DISTRICT**  
Required Supplementary Information

**Budgetary Comparison Schedule**  
**IDEA Part B Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 480,422	\$ 509,606	\$ 509,606	\$ 29,184	\$ -
<b>Total Revenues</b>	<b>480,422</b>	<b>509,606</b>	<b>509,606</b>	<b>29,184</b>	<b>-</b>
<b>Expenditures:</b>					
Instruction	280,155	319,494	315,403	(39,339)	4,091
Support services	200,267	191,233	190,771	9,034	462
<b>Total Expenditures</b>	<b>480,422</b>	<b>510,727</b>	<b>506,174</b>	<b>(30,305)</b>	<b>4,553</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>-</b>	<b>(1,121)</b>	<b>3,432</b>	<b>(1,121)</b>	<b>4,553</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	(3,432)	(3,432)	(3,432)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(3,432)</b>	<b>(3,432)</b>	<b>(3,432)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(4,553)</b>	<b>-</b>	<b>(4,553)</b>	<b>4,553</b>
<b>Fund Balances:</b>					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ (4,553)	\$ -	\$ (4,553)	\$ 4,553

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

**WESTERN LINE SCHOOL DISTRICT**  
Required Supplementary Information

**Budgetary Comparison Schedule  
Sixteenth Section Interest Fund  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original to Final	Final to Actual
	Original	Final			
<b>Revenues:</b>					
Sixteenth section sources	\$ 271,500	\$ 440,257	\$ 440,257	\$ 168,757	\$ -
<b>Total Revenues</b>	<b>271,500</b>	<b>440,257</b>	<b>440,257</b>	<b>168,757</b>	<b>-</b>
<b>Expenditures:</b>					
Sixteenth section	24,000	18,245	38,220	5,755	(19,975)
<b>Total Expenditures</b>	<b>24,000</b>	<b>18,245</b>	<b>38,220</b>	<b>5,755</b>	<b>(19,975)</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>247,500</b>	<b>422,012</b>	<b>402,037</b>	<b>174,512</b>	<b>(19,975)</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	4,000	5,200	5,200	1,200	-
Operating transfers out	(251,500)	-	-	251,500	-
<b>Total Other Financing Sources (Uses)</b>	<b>(247,500)</b>	<b>5,200</b>	<b>5,200</b>	<b>252,700</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>427,212</b>	<b>407,237</b>	<b>427,212</b>	<b>(19,975)</b>
<b>Fund Balances:</b>					
July 1, 2013	1,096,283	1,096,283	1,096,283	-	-
June 30, 2014	\$ 1,096,283	\$ 1,523,495	\$ 1,503,520	\$ 427,212	\$ (19,975)

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

WESTERN LINE 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 Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

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

(3) Budget Variances

The negative budget variances noted for the General fund and 16<sup>th</sup> Section Interest fund are a result of auditor adjustments and do not result in a violation of state laws and regulations.

SUPPLEMENTARY INFORMATION

**WESTERN LINE SCHOOL DISTRICT**

Supplementary Information

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 371,358
National school lunch program	10.555	934,788
Total child nutrition cluster		<u>1,306,146</u>
Total passed-through Mississippi Department of Education		<u>1,306,146</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,306,146</u>
<b>Federal Communications Commission</b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	117,838
<b>Total Federal Communications Commission</b>		<u>117,838</u>
<b>U.S. Department of Education</b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	912,134
Twenty-first century community learning centers	84.287	50,487
Improving teacher quality-State Grants	84.367	116,191
Subtotal		<u>1,078,812</u>
Special education cluster:		
Special education - grants to states	84.027	509,606
Special education - preschool grants	84.173	7,625
Total special education cluster		<u>517,231</u>
Total passed-through Mississippi Department of Education		<u>1,596,043</u>
<b>Total U.S. Department of Education</b>		<u>1,596,043</u>
<b>U.S. Department of Health and Human Services</b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	4,100
Total passed-through Mississippi Department of Education		<u>4,100</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>4,100</u>
 Total for All Federal Awards		 <u>\$ 3,024,127</u>

**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.
4. Donated commodities of \$71,708 are included in the National School Lunch Program.

**WESTERN LINE SCHOOL DISTRICT**

Supplementary Information

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 12,587,796	9,374,942	694,921	867,785	1,650,148
Other	4,998,132	1,533,390	355,500	127,720	2,981,522
Total	\$ 17,585,928	10,908,332	1,050,421	995,505	4,631,670
Total number of students *	1,744				
Cost per student	\$ 10,084	6,255	602	571	2,656

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

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

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

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

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

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

OTHER INFORMATION

**WESTERN LINE SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 6,013,927	\$ 5,882,002	\$ 5,605,151	\$ 5,562,262
State sources	8,191,361	8,252,139	8,241,797	7,455,389
Federal sources	121,938	156,075	523,341	146,040
<b>Total Revenues</b>	<b>14,327,226</b>	<b>14,290,216</b>	<b>14,370,289</b>	<b>13,163,691</b>
<b>Expenditures:</b>				
Instruction	8,335,090	8,214,291	7,981,649	6,467,116
Support services	5,647,550	5,389,530	4,888,923	4,200,092
Noninstructional services	-	22,730	325	14
Facilities acquisition and construction	-	55,624	428,741	5,673
Debt service:				
Principal	-	-	74,000	83,228
Interest	-	-	1,887	10,691
<b>Total Expenditures</b>	<b>13,982,640</b>	<b>13,682,175</b>	<b>13,375,525</b>	<b>10,766,814</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>344,586</b>	<b>608,041</b>	<b>994,764</b>	<b>2,396,877</b>
<b>Other Financing Sources (Uses):</b>				
Sale of transportation equipment	1,308	1	2,900	-
Sale of other property	2,553	4,703	708	-
Operating transfers in	52,932	39,815	48,301	39,816
Operating transfers out	(286,626)	(545,300)	(534,785)	(557,015)
<b>Total Other Financing Sources (Uses)</b>	<b>(229,833)</b>	<b>(500,781)</b>	<b>(482,876)</b>	<b>(517,199)</b>
<b>Net Change in Fund Balances</b>	<b>114,753</b>	<b>107,260</b>	<b>511,888</b>	<b>1,879,678</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	8,142,328	8,020,304	7,414,409	5,534,731
Prior period adjustments	(101,182)	14,764	94,007	-
Beginning of period, as restated	<b>8,041,146</b>	<b>8,035,068</b>	<b>7,508,416</b>	<b>5,534,731</b>
<b>End of Period</b>	<b>\$ 8,155,899</b>	<b>\$ 8,142,328</b>	<b>\$ 8,020,304</b>	<b>\$ 7,414,409</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**WESTERN LINE SCHOOL DISTRICT**

Other Information

**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	\$ 6,240,515	\$ 6,144,286	\$ 6,058,108	\$ 6,068,457
State sources	8,340,571	8,417,105	8,437,245	7,639,964
Federal sources	2,986,927	2,969,376	3,584,210	4,344,565
Sixteenth section sources	466,451	293,526	296,335	253,695
<b>Total Revenues</b>	<b>18,034,464</b>	<b>17,824,293</b>	<b>18,375,898</b>	<b>18,306,681</b>
<b>Expenditures:</b>				
Instruction	9,661,971	9,551,677	9,643,412	9,342,513
Support services	6,405,604	6,128,601	5,624,001	4,937,069
Noninstructional services	1,209,263	1,267,244	1,216,504	1,104,108
Sixteenth section	43,715	14,160	11,910	18,852
Facilities acquisition and construction	-	1,294,088	514,999	797,697
Debt service:				
Principal	250,000	165,000	293,000	399,228
Interest	12,225	15,938	30,992	53,108
Other	3,150	10,613	1,950	-
<b>Total Expenditures</b>	<b>17,585,928</b>	<b>18,447,321</b>	<b>17,336,768</b>	<b>16,652,575</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>448,536</b>	<b>(623,028)</b>	<b>1,039,130</b>	<b>1,654,106</b>
<b>Other Financing Sources (Uses):</b>				
Sale of transportation equipment	1,308	1	2,900	-
Sale of other property	2,553	4,703	708	-
Transfer from QZAB debt service agent	-	-	66,916	35,000
Payment to QZAB bond escrow agent	-	-	(66,916)	(35,000)
Transfer from QSCB debt service agent	103,998	103,994	104,000	50,000
Payment to QSCB bond escrow agent	(103,998)	(103,994)	(104,000)	(50,000)
Operating transfers in	404,095	650,095	1,720,098	601,865
Operating transfers out	(404,095)	(650,095)	(1,720,098)	(601,865)
<b>Total Other Financing Sources (Uses)</b>	<b>3,861</b>	<b>4,704</b>	<b>3,608</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>452,397</b>	<b>(618,324)</b>	<b>1,042,738</b>	<b>1,654,106</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	12,054,449	12,670,665	11,534,941	9,883,387
Prior period adjustments	(101,182)	14,764	94,007	-
Beginning of period, as restated	11,953,267	12,685,429	11,628,948	9,883,387
<b>Increase (Decrease) in reserve for inventory</b>	<b>(1,920)</b>	<b>(12,656)</b>	<b>(1,021)</b>	<b>(2,552)</b>
<b>End of Period</b>	<b>\$ 12,403,744</b>	<b>\$ 12,054,449</b>	<b>\$ 12,670,665</b>	<b>\$ 11,534,941</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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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  
Western Line School District  
Avon, Mississippi

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 Western Line School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Western Line School District's basic financial statements, and have issued our report thereon dated November 12, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Western Line 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 Western Line School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Line School District's internal control.

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. 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.

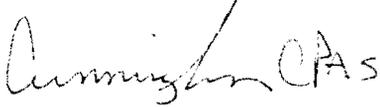
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Western Line 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*.

### **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.



Cunningham CPAs, PLLC

Belzoni, Mississippi

November 12, 2014

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

Superintendent and School Board  
Western Line School District  
Avon, Mississippi

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

We have audited Western Line 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 Western Line School District's major federal programs for the year ended June 30, 2014. Western Line School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***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 each of Western Line 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 Western Line 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 of Western Line School District's compliance.

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

In our opinion, Western Line 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.

## Report on Internal Control over Compliance

Management of the Western Line School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Western Line 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 Western Line 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Cunningham CPAs, PLLC

Belzoni, Mississippi

November 12, 2014

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

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

Superintendent and School Board  
Western Line School District  
Avon, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Line School District as of and for the year ended June 30, 2014, which collectively comprise Western Line School District's basic financial statements and have issued our report thereon dated November 12, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$6,065 of classroom supply funds carried over from previous years.

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

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed 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 did not disclose any instances of noncompliance with other state laws and regulations.

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.



Cunningham CPAs, PLLC

Belzoni, Mississippi

November 12, 2014

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

WESTERN LINE SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness(es) identified?   | No            |
|    | b. Significant deficiency(ies) identified?   | None reported |
| 5. | Type of auditor's report issued on compliance for major programs:  | Unmodified    |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No            |
| 7. | Identification of major programs:  |               |
|    | A. Title I - Grants to local educational agencies:   |               |
|    | CFDA #   | 84.010        |
|    | B. Improving teacher quality grants  |               |
|    | CFDA #   | 84.367        |
| 8. | Dollar threshold used to distinguish between type A and type B programs:   | \$ 300,000    |
| 9. | Auditee qualified as a low-risk auditee?   | Yes           |

WESTERN LINE SCHOOL DISTRICT

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

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.