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Western Line School District

Audited Financial Statements
For the Year Ended June 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

**Western Line School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Western Line School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Line School District as of and for the year ended June 30, 2017, 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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, 2017, 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, budgetary comparison information, the Schedules of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 to 19 and 53 to 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Line School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 December 11, 2017, 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 solely 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 the effectiveness of the Western Line School District's 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 11, 2017

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Western Line School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, 2017. 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 2017 decreased \$2,235,417, including a prior period adjustment of (\$1,797,597), which represents a 200% decrease from fiscal year 2016. Total net position for 2016 decreased \$219,683, which represents a 16% decrease from fiscal year 2015.
- General revenues amounted to \$15,572,454 and \$15,119,628, or 82% and 80% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,385,429, or 18% of total revenues for 2017, and \$3,689,322, or 20% of total revenues for 2016.
- The District had \$19,395,703 and \$19,028,633 in expenses for fiscal years 2017 and 2016; only \$3,385,429 for 2017 and only \$3,689,322 for 2016 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$15,572,454 for 2017 and \$15,119,628 for 2016 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$15,860,141 in revenues and \$15,247,099 in expenditures for 2017, and \$15,433,762 in revenues and \$14,875,227 in expenditures for 2016. The General Fund's fund balance decreased by \$697,071 from 2016 to 2017, and increased by \$371,956 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$218,040 for 2017 and decreased by \$60,094 for 2016. The increase for 2017 was due primarily to additions to buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment.
- The liability for compensated absences decreased by \$2,729 for 2017 and increased by \$6,123 for 2016.

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.

Western Line School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them 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, pension expense 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.

Western Line School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

Western Line School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions 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 additional 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,118,438 as of June 30, 2017.

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

Western Line School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 12,838,780	12,402,894	4%
Restricted	1,317,550	1,214,341	8%
Capital assets, net	<u>10,059,591</u>	<u>9,841,551</u>	2%
Total assets	<u>24,215,921</u>	<u>23,458,786</u>	3%
 Deferred outflows of resources	 <u>4,466,507</u>	 <u>4,065,022</u>	 10%
 Current liabilities	 1,011,199	 986,397	 3%
Long-term debt outstanding	1,607,893	1,610,622	0%
Net pension liability	<u>27,109,735</u>	<u>23,187,043</u>	17%
Total liabilities	<u>29,728,827</u>	<u>25,784,062</u>	15%
 Deferred inflows of resources	 <u>72,039</u>	 <u>622,767</u>	 (88)%
 Net position:			
Net investment in capital assets	8,559,591	8,341,551	3%
Restricted	3,328,085	2,185,335	52%
Unrestricted	<u>(13,006,114)</u>	<u>(9,409,907)</u>	(38)%
Total net position	<u>\$ (1,118,438)</u>	<u>1,116,979</u>	(200)%

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions, management presents the following additional information:

Western Line School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Total unrestricted net position (deficit)	\$ (13,006,114)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>22,715,267</u>
Unrestricted net position, exclusive of the net pension liability effect	<u><u>\$ 9,709,153</u></u>

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

- Increase in net capital assets in the amount of \$218,040.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$18,957,883 and \$18,808,950, respectively. The total cost of all programs and services was \$19,395,703 for 2017 and \$19,028,633 for 2016.

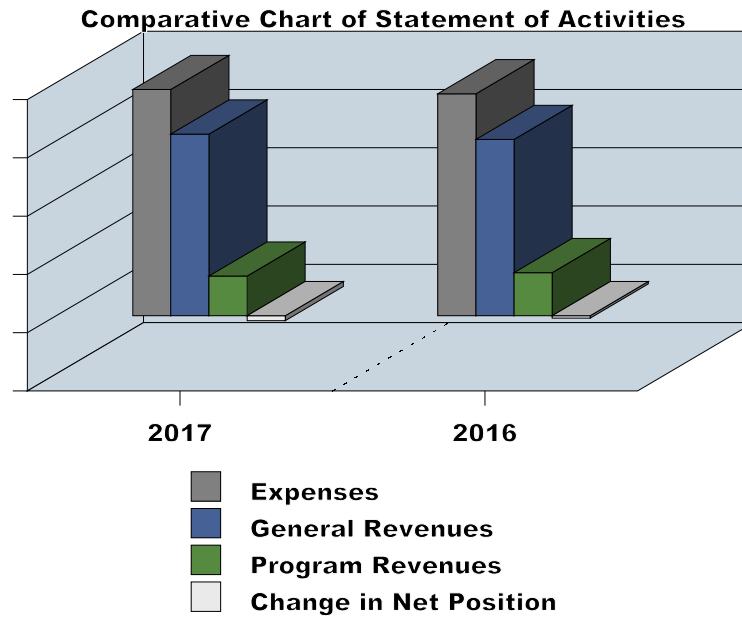
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Western Line School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 190,598	414,968	(54)%
Operating grants and contributions	3,194,831	3,274,354	(2)%
General Revenues:			
Property taxes	6,519,976	6,030,698	8%
Grants and contributions not restricted	8,560,168	8,558,796	0%
Unrestricted investment earnings	86,034	96,072	(10)%
Sixteenth section sources	353,556	370,907	(5)%
Other	52,720	63,155	(17)%
Total revenues	<u>18,957,883</u>	<u>18,808,950</u>	1%
Expenses:			
Instruction	8,915,126	9,417,660	(5)%
Support services	6,440,085	6,071,991	6%
Non-instructional	1,284,593	1,314,980	(2)%
Sixteenth section	18,604	14,478	28%
Pension expense	2,723,022	2,196,049	24%
Interest on long-term liabilities	14,273	13,475	6%
Total expenses	<u>19,395,703</u>	<u>19,028,633</u>	2%
Increase (Decrease) in net position	<u>(437,820)</u>	<u>(219,683)</u>	(99)%
Net position, July 1, as previously reported	1,116,979	1,336,662	(16)%
Prior period adjustment	<u>(1,797,597)</u>		N / A
Net position (deficit), July 1, as restated	<u>(680,618)</u>	1,336,662	(151)%
Net Position (deficit), June 30	<u>\$ (1,118,438)</u>	<u>1,116,979</u>	(200)%

Western Line School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017



Governmental activities

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		
	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Instruction	\$ 8,915,126	9,417,660	(5)%
Support services	6,440,085	6,071,991	6%
Non-instructional	1,284,593	1,314,980	(2)%
Sixteenth section	18,604	14,478	28%
Pension expense	2,723,022	2,196,049	24%
Interest on long-term liabilities	14,273	13,475	6%
Total expenses	<u><u>\$ 19,395,703</u></u>	<u><u>19,028,633</u></u>	<u><u>2%</u></u>

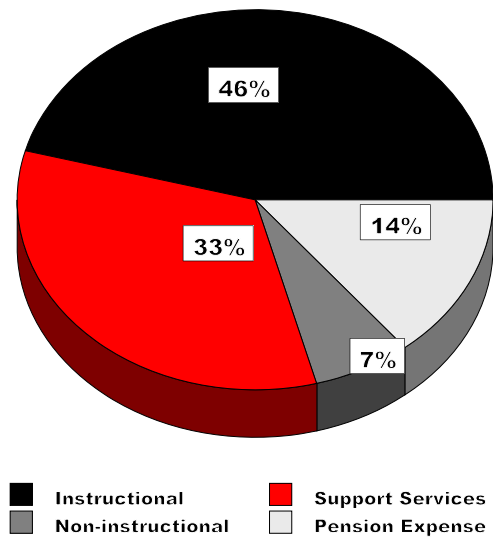
Western Line School District
Management's Discussion and Analysis
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Net (Expense) Revenue

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Instruction	\$ (7,937,715)	(8,161,435)	(3)%
Support services	(5,672,621)	(5,219,671)	9%
Non-instructional	355,961	265,797	34%
Sixteenth section	(18,604)	(14,478)	28%
Pension expense	(2,723,022)	(2,196,049)	24%
Interest on long-term liabilities	(14,273)	(13,475)	6%
Total net (expense) revenue	\$ (16,010,274)	(15,339,311)	4%

- Net cost of governmental activities (\$16,010,274 for 2017 and \$15,339,311 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$6,519,976 for 2017 and \$6,030,698 for 2016) and state and federal revenues (\$8,560,168 for 2017 and \$8,558,796 for 2016).
- Investment earnings amounted to \$86,034 for 2017 and \$96,072 for 2016.

Chart of Expenses per Statement of Activities



Western Line School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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 \$13,156,959, an increase of \$516,341, which includes an increase in inventory of \$8,381. \$9,667,571 or 73% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,489,388 or 27% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$697,071. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,213,412, which includes an increase in inventory of \$8,381. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I A Basic Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

Over the course of 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.

Western Line School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$20,330,242, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$759,194 from 2016. Total accumulated depreciation as of June 30, 2017, was \$10,270,651, and total depreciation expense for the year was \$641,583, resulting in total net capital assets of \$10,059,591.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 176,568	145,940	21%
Construction in progress	133,531		100%
Buildings	5,471,380	5,409,916	1%
Building improvements	1,841,517	1,969,867	(7)%
Improvements other than buildings	1,129,181	1,133,270	0%
Mobile equipment	983,714	931,367	6%
Furniture and equipment	323,700	251,191	29%
Total	<u>\$ 10,059,591</u>	<u>9,841,551</u>	<u>2%</u>

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

Debt Administration. At June 30, 2017, the District had \$1,607,893 in outstanding long-term debt, of which \$0 is due within one year. The liability for compensated absences decreased \$2,729 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Qualified School Construction Bonds payable	\$ 1,500,000	1,500,000	0%
Compensated absences payable	107,893	110,622	(2)%
Total	<u>\$ 1,607,893</u>	<u>1,610,622</u>	<u>0%</u>

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

Western Line School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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 is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits and Other Than Pensions, is to be implemented in fiscal year 6/30/2018. At this point, we do not have enough information to judge the impact this will have on this school district.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Western Line School District, P.O. Box 50, Avon, MS 38723.

FINANCIAL STATEMENTS

WESTERN LINE SCHOOL DISTRICT**STATEMENT OF NET POSITION**

JUNE 30, 2017

Exhibit A

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 12,319,955
<i>Due from other governments</i>	451,925
<i>Other receivables, net</i>	23,828
<i>Inventories</i>	43,072
<i>Restricted assets</i>	1,317,550
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	176,568
<i>Construction in progress</i>	133,531
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	5,471,380
<i>Building improvements</i>	1,841,517
<i>Improvements other than buildings</i>	1,129,181
<i>Mobile equipment</i>	983,714
<i>Furniture and equipment</i>	323,700
Total Assets	<u>24,215,921</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	4,466,507
Total Deferred Outflows of Resources	<u>4,466,507</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	142,006
<i>Due to other governments</i>	857,365
<i>Interest payable on long-term liabilities</i>	11,828
Long-term liabilities, due beyond one year:	
<i>Capital related liabilities</i>	1,500,000
<i>Non-capital related liabilities</i>	107,893
<i>Net pension liability</i>	27,109,735
Total Liabilities	<u>29,728,827</u>
Deferred Inflows of Resources	
Pension related	72,039
Total Deferred Inflows of Resources	<u>72,039</u>
Net Position	
Net investment in capital assets	8,559,591
Restricted for:	
Expendable:	
School-based activities	792,324
Debt service	884,573
Capital projects	987,585
Forestry improvements	19,893
Unemployment benefits	46,343
Non-expendable:	
Permanent fund principal	597,367
Unrestricted	(13,006,114)
Total Net Position (Deficit)	<u>\$ (1,118,438)</u>

The accompanying notes are an integral part of this statement.

WESTERN LINE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
<i>Instruction</i>	\$ 8,915,126	\$ 136,634	\$ 840,777	\$ (7,937,715)
<i>Support services</i>	6,440,085	--	767,464	(5,672,621)
<i>Noninstructional services</i>	1,284,593	53,964	1,586,590	355,961
<i>Sixteenth section</i>	18,604	--	--	(18,604)
<i>Pension expense</i>	2,723,022	--	--	(2,723,022)
<i>Interest on long-term liabilities</i>	14,273	--	--	(14,273)
Total Governmental Activities	<u>\$ 19,395,703</u>	<u>\$ 190,598</u>	<u>\$ 3,194,831</u>	<u>(16,010,274)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				6,367,382
<i>Debt purpose levies</i>				70,041
<i>Gaming</i>				82,553
Unrestricted grants and contributions:				
<i>State</i>				8,463,059
<i>Federal</i>				97,109
<i>Unrestricted investment earnings</i>				86,034
<i>Sixteenth section sources</i>				353,556
<i>Other</i>				51,658
<i>Other</i>				1,062
Total General Revenues				<u>15,572,454</u>
Change in Net Position				<u>(437,820)</u>
Net Position - Beginning, as previously reported				1,116,979
Prior Period Adjustment				<u>(1,797,597)</u>
Net Position - Beginning, as restated				(680,618)
Net Position - Ending				<u>\$ (1,118,438)</u>

The accompanying notes are an integral part of this statement.

WESTERN LINE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

Exhibit C

	General Fund	Title I A Basic Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
<i>Cash and cash equivalents</i>	\$ 10,212,974	\$ --	\$ 2,731,220	\$ 12,944,194
<i>Investments</i>	--	--	693,311	693,311
<i>Due from other governments</i>	246,031	132,755	72,939	451,725
<i>Other receivables, net</i>	23,828	--	--	23,828
<i>Due from other funds</i>	151,282	--	--	151,282
<i>Inventories</i>	--	--	43,072	43,072
Total Assets	<u>\$ 10,634,115</u>	<u>\$ 132,755</u>	<u>\$ 3,540,542</u>	<u>\$ 14,307,412</u>
Liabilities and Fund Balances				
Liabilities:				
<i>Accounts payable and accrued liabilities</i>	\$ 63,653	\$ --	\$ 78,353	\$ 142,006
<i>Due to other funds</i>	753,416	132,755	122,276	1,008,447
Total Liabilities	<u>817,069</u>	<u>132,755</u>	<u>200,629</u>	<u>1,150,453</u>
Fund Balances:				
Nonspendable:				
Permanent fund principal	--	--	597,367	597,367
Inventory	--	--	43,072	43,072
Restricted:				
Unemployment benefits	--	--	46,343	46,343
Forestry improvements	--	--	19,893	19,893
Capital improvements	--	--	987,585	987,585
Debt service	--	--	896,401	896,401
Ad valorem	84,586	--	--	84,586
Grant activities	--	--	6,239	6,239
Food service	--	--	743,013	743,013
Assigned:				
Activity funds and other school activities	64,889	--	--	64,889
Unassigned	<u>9,667,571</u>	<u>--</u>	<u>--</u>	<u>9,667,571</u>
Total Fund Balances	<u>9,817,046</u>	<u>--</u>	<u>3,339,913</u>	<u>13,156,959</u>
Total Liabilities and Fund Balances	<u>\$ 10,634,115</u>	<u>\$ 132,755</u>	<u>\$ 3,540,542</u>	<u>\$ 14,307,412</u>

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

WESTERN LINE SCHOOL DISTRICT**Exhibit C-1***RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017*

Total fund balances for governmental funds	\$ 13,156,959
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	10,059,591
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,500,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(11,828)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(107,893)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(27,109,735)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(72,039)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	4,466,507
Net Position of governmental activities	\$ <u>(1,118,438)</u>

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

WESTERN LINE SCHOOL DISTRICT**Exhibit D**

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017*

	General Fund	Title I A Basic Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 6,889,835	\$ --	\$ 131,581	\$ 7,021,416
State sources	8,509,417	--	147,704	8,657,121
Federal sources	92,171	799,560	2,014,407	2,906,138
Sixteenth section sources	368,718	--	4,490	373,208
Total Revenues	<u>15,860,141</u>	<u>799,560</u>	<u>2,298,182</u>	<u>18,957,883</u>
Expenditures:				
Instruction	8,586,892	346,565	689,687	9,623,144
Support services	6,289,600	439,214	310,228	7,039,042
Noninstructional services	--	5,779	1,261,406	1,267,185
Sixteenth section	18,604	--	--	18,604
Facilities acquisition and construction	352,003	--	133,531	485,534
Debt service:				
Interest	--	--	12,225	12,225
Total Expenditures	<u>15,247,099</u>	<u>791,558</u>	<u>2,407,077</u>	<u>18,445,734</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>613,042</u>	<u>8,002</u>	<u>(108,895)</u>	<u>512,149</u>
Other Financing Sources (Uses):				
Sale of transportation equipment	815	--	--	815
Sale of other property	864	--	--	864
Operating transfers in	71,691	--	1,441,092	1,512,783
Other financing sources	--	--	104,000	104,000
Operating transfers out	(1,383,483)	(8,002)	(121,298)	(1,512,783)
Other financing uses	--	--	(109,868)	(109,868)
Total Other Financing Sources (Uses)	<u>(1,310,113)</u>	<u>(8,002)</u>	<u>1,313,926</u>	<u>(4,189)</u>
Net change in fund balances	(697,071)	--	1,205,031	507,960
Fund Balances:				
July 1, 2016	10,514,117	--	2,126,501	12,640,618
Increase (Decrease) in inventory	--	--	8,381	8,381
June 30, 2017	<u>\$ 9,817,046</u>	<u>\$ --</u>	<u>\$ 3,339,913</u>	<u>\$ 13,156,959</u>

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

WESTERN LINE SCHOOL DISTRICT**Exhibit D-1****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds \$ 507,960

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	866,237
The depreciation of capital assets used in governmental activities is not reported in the funds.	(641,583)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(454)
The gain or loss on the sale of capital assets is not reported in the funds.	(5,345)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(815)
(Increase) decrease in accrued interest from beginning of period to end of period.	(2,048)
Change in inventory affects fund balance in the funds but affects expense in the SOA.	8,381
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	2,729
Pension contributions made after the measurement date but in current FY were de-expended and reduced NP	1,550,140
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(2,723,022)

Change in Net Position of governmental activities \$ (437,820)

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

WESTERN LINE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2017

Exhibit E

	Agency Funds
Assets	
<i>Cash and cash equivalents</i>	\$ 141,902
<i>Due from other funds</i>	857,365
Total Assets	<u>\$ 999,267</u>
Liabilities	
<i>Accounts Payable and accrued liabilities</i>	\$ 960,118
<i>Due to student clubs</i>	38,949
<i>Due to other funds</i>	200
Total Liabilities	<u>\$ 999,267</u>

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

Western Line School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

Western Line School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

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 six member board to which each member, except for one that is appointed, 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, deferred outflows, liabilities, and deferred inflows 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.

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

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

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

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

The school district reports the following major governmental funds:

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

Title I A Basic Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

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:

Student Club 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.

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

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.

Accounts Payable Clearing Fund - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets and liabilities) and do not involve the 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.

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

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

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 are 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.

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2014, issued by the U.S. Department of Education.

D. Encumbrances

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

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.

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery,

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

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 governmental column 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.

7. Deferred outflows/inflows of resources

In addition to assets, the statement financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

The school district has a deferred outflow which is presented as a deferred outflow for pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The school district has a deferred inflow which is presented as a deferred inflow for pension.

See Note 15 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/ Premiums

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

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

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

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

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

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

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

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

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, 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 District Maintenance revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District will develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 - Cash and Cash Equivalents, 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 districts' 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 deposits or interest bearing accounts with qualified state

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,944,194 and \$141,902, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance of \$13,536,097 was exposed to custodial credit risk.

Investments

As of June 30, 2017, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds			
Common Trust Funds 2012-A	Unrated	Less than 1 year	\$ <u>693,311</u>

The district categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2017: Level 1 type of investments of \$693,311 are valued using quoted market prices (Level 1 inputs)

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.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2017, the district had the following investments:

Issuer	Fair Value	% of Total Investments
QSCB Construction Bonds Common Trust	\$ <u>693,311</u>	100%

Western Line School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

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 A Basic Fund	\$ 75,947
	Other Governmental Funds	75,135
	Fiduciary Fund	200
Fiduciary Fund	General Fund	753,416
	Title I A Basic Fund	56,808
	Other Governmental Funds	47,141
Total		\$ <u>1,008,647</u>

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

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title I Basic Fund	\$ 8,002
	Other Governmental Funds	63,689
Other Governmental Funds	General Fund	1,383,483
	Other Governmental Funds	57,609
Total		\$ <u>1,512,783</u>

The primary purpose of the interfund transfers out of the general fund and into 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 governmental funds is the indirect cost allocation from the general fund.

Note 4 - Restricted Assets

The restricted assets represent 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 balance, totaling \$26,872 and \$693,311, respectively, of the QSCB Sinking Fund.

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

Note 5 - Capital Assets

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

	Balance 7-1-2016	Additions	Retirements	Balance 6-30-2017
<u>Non-depreciable capital assets:</u>				
Land	\$ 145,940	30,628		176,568
Construction in progress		133,531		133,531
Total non-depreciable capital assets	145,940	164,159		310,099
<u>Depreciable capital assets:</u>				
Buildings	10,466,203	235,000		10,701,203
Building improvements	4,077,380	38,389		4,115,769
Improvements other than buildings	1,748,599	47,986		1,796,585
Mobile equipment	2,039,911	228,000	61,603	2,206,308
Furniture and equipment	1,093,015	152,703	45,440	1,200,278
Total depreciable capital assets	19,425,108	702,078	107,043	20,020,143
<u>Less accumulated depreciation for:</u>				
Buildings	5,056,287	173,536		5,229,823
Building improvements	2,107,513	166,739		2,274,252
Improvements other than buildings	615,329	52,075		667,404
Mobile equipment	1,108,544	169,493	55,443	1,222,594
Furniture and equipment	841,824	79,740	44,986	876,578
Total accumulated depreciation	9,729,497	641,583	100,429	10,270,651
Total depreciable capital assets, net	9,695,611	60,495	6,614	9,749,492
Governmental activities capital assets, net	\$ 9,841,551	224,654	6,614	10,059,591

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 449,108
Support services	128,317
Non-instructional	64,158
Total depreciation expense	\$ 641,583

The details of construction-in-progress are as follows:

	Spent to June 30, 2017	Remaining Commitment
O'Bannon Elementary Classroom Addition	\$ 133,531	902,850

Construction projects included in governmental activities are funded with sixteenth section transfer to capital projects fund.

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

Note 6 - Long-term liabilities

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

	Balance 7-1-2016	Reductions	Balance 6-30-2017
A. Qualified school construction bonds payable	\$ 1,500,000		1,500,000
B. Compensated absences payable	<u>110,622</u>	<u>2,729</u>	<u>107,893</u>
Total	\$ <u>1,610,622</u>	<u>2,729</u>	<u>1,607,893</u>

A. Qualified school constructions bonds payable

As more fully explained in Note 11, 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%	12-23-09	09-15-24	\$ <u>1,500,000</u>	<u>1,500,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018		14,100	14,100
2019		14,100	14,100
2020		14,100	14,100
2021		14,100	14,100
2022		14,100	14,100
2023 - 2025	<u>1,500,000</u>	<u>42,300</u>	<u>1,542,300</u>
Total	\$ <u>1,500,000</u>	<u>112,800</u>	<u>1,612,800</u>

B. 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 the Year Ended June 30, 2017

Note 7 - Defined Benefit Pension Plan

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2017). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

Contributions. 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, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016, and 2015, were \$1,550,140, \$1,484,922, and \$1,433,573, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the school district reported a liability of \$27,109,735 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 0.151769 percent, which was based on a measurement date of June 30, 2016. This was an increase of .001769 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,723,022. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,269,949	\$
Net difference between projected and actual earnings on pension plan investments	539,004	
Changes of assumptions	1,997,484	72,039
Changes in proportion and differences between District contributions and proportionate share of contributions	(890,070)	
District contributions subsequent to the measurement date	1,550,140	
Total	<u>\$ 4,466,507</u>	<u>\$ 72,039</u>

\$1,550,140 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

pensions will be recognized in pension expense as follows:

Year ending June 30:		
2018	\$	803,829
2018		402,091
2019		982,154
2020		656,254

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20%
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

will be made at the current contribution employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ <u>34,760,756</u>	\$ <u>27,109,735</u>	\$ <u>20,761,864</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 8 - Other Commitments

Commitments under construction contracts are described in Note 5.

Note 9 - 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 10 - 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

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

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.

Note 11 - 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.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. The amount on deposit at June 30, 2017 was \$720,183. The amount accumulated in the sinking fund at the end of the fourteen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2018	\$	104,000
2019		104,000
2020		103,000
2021		103,000
2022		103,000
2023 - 2025		309,000
Total	\$	<u>826,000</u>

Western Line School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 12 - 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 and Hollandale 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 repair facility 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 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 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 (oil, lubricants, repairs, replacement of tires, parts, labor, etc.) shall initially be borne by the districts in the following proportions:

District	Buses	%
Western Line	29	70.7
Hollandale	12	29.3

Western Line School District

Notes to the Financial Statements For the Year Ended June 30, 2017

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 needed 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 13 - 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.

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 308,351
2019	127,338
2020	204,793
2021	131,000
2022	12,500
Total	<u>\$ 783,982</u>

Note 14 - Prior Period Adjustments

A summary of significant Net Position adjustment is as follows:

<u>Explanation(s)</u>	<u>Amount</u>
1. To record change in method of recognition of proportionate share from one year to another.	\$ <u>(1,797,597)</u>

Western Line School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 15 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$13,006,114) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$4,466,507 balance of deferred outflow of resources, at June 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$13,006,114) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$72,039 balance of deferred inflow of resources, at June 30, 2017 will be recognized as a revenue and will increase the unrestricted net position over the next 3 years.

Note 16 - 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 the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statement.

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN LINE SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,548,520	6,805,249	6,889,835	256,729	84,586
State sources	8,504,897	8,457,933	8,509,417	(46,964)	51,484
Federal sources	115,000	92,171	92,171	(22,829)	-
Sixteenth section sources	352,000	368,718	368,718	16,718	-
Total Revenues	15,520,417	15,724,071	15,860,141	203,654	136,070
Expenditures:					
Instruction	9,185,212	8,567,328	8,586,892	617,884	(19,564)
Support services	6,447,775	6,291,624	6,289,600	156,151	2,024
Sixteenth section	24,000	18,604	18,604	5,396	-
Facilities acquisition and construction	126,000	352,003	352,003	(226,003)	-
Total Expenditures	15,782,987	15,229,559	15,247,099	553,428	(17,540)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(262,570)	494,512	613,042	757,082	118,530
Other Financing Sources (Uses):					
Sale of transportation equipment	-	815	815	815	-
Sale of other property	-	864	864	864	-
Transfers In	3,142,957	2,539,156	71,691	(603,801)	(2,467,465)
Transfers Out	(3,351,284)	(3,850,948)	(1,383,483)	(499,664)	2,467,465
Total Other Financing Sources (Uses)	(208,327)	(1,310,113)	(1,310,113)	(1,101,786)	-
Net Change in Fund Balances	(470,897)	(815,601)	(697,071)	(344,704)	118,530
Fund Balances:					
July 1, 2016, as previously reported	10,142,161	10,376,238	10,514,117	234,077	137,879
Prior period adjustments	-	54,335	-	54,335	(54,335)
July 1, 2016, as restated	10,142,161	10,430,573	10,514,117	288,412	83,544
June 30, 2017	\$ 9,671,264	9,614,972	9,817,046	(56,292)	202,074

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

WESTERN LINE SCHOOL DISTRICT

Budgetary Comparison Schedule

Title I A Basic Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 835,534	799,561	799,560	(35,973)	(1)
Total Revenues	<u>835,534</u>	<u>799,561</u>	<u>799,560</u>	<u>(35,973)</u>	<u>(1)</u>
Expenditures:					
Instruction	341,169	347,345	346,565	(6,176)	780
Support services	482,365	438,434	439,214	43,931	(780)
Noninstructional services	<u>4,000</u>	<u>5,779</u>	<u>5,779</u>	<u>(1,779)</u>	<u>-</u>
Total Expenditures	<u>827,534</u>	<u>791,558</u>	<u>791,558</u>	<u>35,976</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,000</u>	<u>8,003</u>	<u>8,002</u>	<u>3</u>	<u>(1)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(8,000)</u>	<u>(8,003)</u>	<u>(8,002)</u>	<u>(3)</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>(8,000)</u>	<u>(8,003)</u>	<u>(8,002)</u>	<u>(3)</u>	<u>1</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Western Line School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2017	2016	2015
District's proportion of the net pension liability (asset) \$	27,109,735	23,187,043	18,207,254
District's proportionate share of the net pension liability (asset)	0.151769%	0.150000%	0.150000%
District's covered payroll	9,709,003	9,428,076	9,102,051
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	245.94%	200.03%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Western Line School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

	2017	2016	2015
Contractually required contribution	\$ 1,550,140	1,529,168	1,484,922
Contributions in relation to the contractually required contribution	1,550,140	1,529,168	1,484,922
Contribution deficiency (excess)	\$ -	-	-
District's covered payroll	9,842,159	9,709,003	9,428,076
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Western Line School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2017

Budgetary Comparison Schedules

(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.

Pension Schedules

(1) Changes in benefit provisions

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(2) Changes of assumptions

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

SUPPLEMENTARY INFORMATION

WESTERN LINE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<u>Federal Grantor/ Pass-through Grantor/ Program Title/</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 417,536
National School Lunch Program	10.555	1,050,675
Total Child Nutrition Cluster		1,468,211
Child and Adult Care Food Program	10.558	6,078
Total passed-through the Mississippi Department of Education		1,474,289
Total U.S. Department of Agriculture		1,474,289
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	799,561
Rural Education	84.358	62,361
Supporting Effective Instruction State Grant	84.367	33,843
Subtotal		895,765
Special Education Cluster:		
Special Education - Grants to States	84.027	438,279
Special Education - Preschool Grants	84.173	5,635
Total Special Education Cluster		443,914
Total passed-through the Mississippi Department of Education		1,339,679
Total U.S. Department of Education		1,339,679
<u>U. S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	8,503
Total passed-through the Mississippi Department of Education		8,503
Total U.S. Department of Health and Human Services		8,503
Total for All Federal Awards		\$ 2,822,471

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

WESTERN LINE SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	13,389,559	9,971,365	761,146	886,123	1,770,925
Other	5,056,175	1,100,748	301,411	136,266	3,517,750
Total	\$ 18,445,734	11,072,113	1,062,557	1,022,389	5,288,675
Total number of students *	1,869				
Cost per student	\$ 9,870	5,924	569	547	2,830

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

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

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

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

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

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

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

Western Line School District

Notes to the Supplementary Information
For the Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities of \$65,168 are included in the National School Lunch Program.

Schedule of Instructional Administrative and Other Expenditures - Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

OTHER INFORMATION

WESTERN LINE SCHOOL DISTRICT

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

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 6,889,835	6,456,541	6,240,424	6,013,927
State sources	8,509,417	8,238,972	8,151,965	8,191,361
Federal sources	92,171	372,458	162,066	121,938
Sixteenth section sources	368,718	365,791	351,889	-
Total Revenues	<u>15,860,141</u>	<u>15,433,762</u>	<u>14,906,344</u>	<u>14,327,226</u>
Expenditures:				
Instruction	8,586,892	8,698,955	8,360,944	8,335,090
Support services	6,289,600	5,874,057	5,845,924	5,647,550
Sixteenth section	18,604	14,478	26,864	-
Facilities acquisition and construction	352,003	287,737	-	-
Total Expenditures	<u>15,247,099</u>	<u>14,875,227</u>	<u>14,233,732</u>	<u>13,982,640</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>613,042</u>	<u>558,535</u>	<u>672,612</u>	<u>344,586</u>
Other Financing Sources (Uses):				
Sale of transportation equipment	815	4,798	8,007	1,308
Sale of other property	864	1,682	1,350	2,553
Operating transfers in	71,691	67,200	55,854	52,932
Operating transfers out	(1,383,483)	(259,028)	(255,081)	(286,626)
Other financing uses	-	(1,231)	-	-
Total Other Financing Sources (Uses)	<u>(1,310,113)</u>	<u>(186,579)</u>	<u>(189,870)</u>	<u>(229,833)</u>
Net Change in Fund Balances	<u>(697,071)</u>	<u>371,956</u>	<u>482,742</u>	<u>114,753</u>
Fund Balances:				
July 1, as previously reported	10,514,117	10,142,161	8,155,899	8,142,328
Fund reclassification	-	-	1,503,520	-
Prior period adjustments	-	-	-	(101,182)
July 1, as restated	<u>10,514,117</u>	<u>10,142,161</u>	<u>9,659,419</u>	<u>8,041,146</u>
June 30,	<u>\$ 9,817,046</u>	<u>10,514,117</u>	<u>10,142,161</u>	<u>8,155,899</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

WESTERN LINE SCHOOL DISTRICT

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

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 7,021,416	6,606,126	6,460,949	6,240,515
State sources	8,657,121	8,395,041	8,305,966	8,340,571
Federal sources	2,906,138	3,438,108	3,188,564	2,986,927
Sixteenth section sources	373,208	370,906	356,987	466,451
Total Revenues	<u>18,957,883</u>	<u>18,810,181</u>	<u>18,312,466</u>	<u>18,034,464</u>
Expenditures:				
Instruction	9,623,144	9,954,548	9,777,040	9,661,971
Support services	7,039,042	6,696,513	6,638,745	6,405,604
Noninstructional services	1,267,185	1,335,356	1,143,076	1,209,263
Sixteenth section	18,604	14,478	26,864	43,715
Facilities acquisition and construction	485,534	287,737	-	-
Debt service:				
Principal	-	1,000,000	-	250,000
Interest	12,225	12,225	12,225	12,225
Other	-	1,250	3,150	3,150
Total Expenditures	<u>18,445,734</u>	<u>19,302,107</u>	<u>17,601,100</u>	<u>17,585,928</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>512,149</u>	<u>(491,926)</u>	<u>711,366</u>	<u>448,536</u>
Other Financing Sources (Uses):				
Sale of transportation equipment	815	4,798	8,007	1,308
Sale of other property	864	1,682	1,350	2,553
Transfer from QSCB debt service agent	-	104,000	104,000	103,998
Payment to QSCB bond escrow agent	-	(104,000)	(104,000)	(103,998)
Operating transfers in	1,512,783	326,228	310,935	404,095
Other financing sources	104,000	-	-	-
Operating transfers out	(1,512,783)	(326,228)	(310,935)	(404,095)
Other financing uses	(109,868)	(1,231)	-	-
Total Other Financing Sources (Uses)	<u>(4,189)</u>	<u>5,249</u>	<u>9,357</u>	<u>3,861</u>
Net Change in Fund Balances	<u>507,960</u>	<u>(486,677)</u>	<u>720,723</u>	<u>452,397</u>
Fund Balances:				
July 1, as previously reported	12,640,618	13,126,876	12,403,744	12,054,449
Prior period adjustment	-	-	-	(101,182)
July 1, as restated	<u>12,640,618</u>	<u>13,126,876</u>	<u>12,403,744</u>	<u>11,953,267</u>
Increase (decrease) in inventory	8,381	419	2,409	(1,920)
June 30,	<u>\$ 13,156,959</u>	<u>12,640,618</u>	<u>13,126,876</u>	<u>12,403,744</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Western Line School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Western Line School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Western Line School District's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

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

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 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.

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BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 11, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and School Board
Western Line School District

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 Compliance Supplement* that could have a direct and material effect on Western Line School District's major federal program for the year ended June 30, 2017. The Western Line School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the 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 its major federal program for the year ended June 30, 2017.

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 type 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 11, 2017

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Western Line School District

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, 2017, which collectively comprise Western Line School District's basic financial statements and have issued our report thereon dated December 11, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 11, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Western Line School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

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