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WESTERN LINE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2023

WESTERN LINE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Western Line School District

Report on the Audit of the Financial Statements

Opinions

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, 2023, 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.

In our opinion, the accompanying 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Western Line School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Western Line School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Western Line School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Western Line School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Supplementary 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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic 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 Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises 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 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2024, 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.

Brown CPA, PLLC
Madison, Mississippi
July 12, 2024

A handwritten signature in blue ink that reads "Brown CPA, PLLC".

MANAGEMENT'S DISCUSSION AND ANALYSIS

WESTERN LINE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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, 2023. 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 2023 decreased \$1,692,889, including a prior period adjustment of (\$267,150), which represents a 28% decrease from fiscal year 2022. Total net position for 2022 increased \$5,357,554, including a prior period adjustment of \$67,469, which represents a 46% increase from fiscal year 2021.
- General revenues amounted to \$17,406,315 and \$17,825,099, or 68% and 63% of all revenues for fiscal years 2023 and 2022, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,031,811, or 32% of total revenues for 2023, and \$10,574,975, or 37% of total revenues for 2022.
- The district had \$26,863,865 and \$23,109,989 in expenses for fiscal years 2023 and 2022; only \$8,031,811 for 2023 and \$10,574,975 for 2022 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$17,406,315 for 2023 were not adequate to provide for these programs. However, general revenues of \$17,825,099 for 2022 were adequate to provide for these programs.
- Among major funds, the General Fund had \$18,563,612 in revenues and \$19,609,335 in expenditures for 2023, and \$18,433,027 in revenues and \$19,479,852 in expenditures in 2022. The General Fund's fund balance decreased by \$704,826, including a prior period adjustment of (\$151,633), from 2022 to 2023, and increased by \$3,528,589, including a prior period adjustment of \$67,469 from 2021 to 2022.
- Capital assets, including intangible right to use assets and net of accumulated depreciation/amortization, increased by \$926,422 for 2023 and increased by \$1,312,155 for 2022. The increase for 2023 is mainly due to the addition of construction in progress and improvements other than buildings.
- Long-term debt, including compensated absences, lease, and SBITA obligations, decreased by \$395,325 for 2023 and decreased by \$442,565 for 2022. This decrease for 2023 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$3,441 and decreased \$16,098 for 2023 and 2022, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

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

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

WESTERN LINE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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, OPEB 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 are governmental funds.

Governmental funds – All of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the district's near-term financing requirements.

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

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

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

WESTERN LINE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

recorded as other financing sources on the governmental funds financial statements.

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements but are reported as expenditures on the governmental funds' financial statements.

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) 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 \$7,810,450 as of June 30, 2023.

The district's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

WESTERN LINE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Table 1 presents a summary of the district's net position at June 30, 2023 and June 30, 2022.

Table 1
Condensed Statement of Net Position

	June 30, 2023	June 30, 2022	Percentage Change
Current assets	\$ 12,547,904	\$ 13,872,047	(9.55) %
Restricted assets	1,884,129	1,794,027	5.02 %
Lease receivable	462,615	727,407	(36.40) %
Capital assets, net	18,383,443	17,457,021	5.31 %
Total assets	33,278,091	33,850,502	(1.69) %
Deferred outflows of resources	8,056,250	6,480,442	24.32 %
Current liabilities	1,189,956	1,740,658	(31.64) %
Long-term debt outstanding	6,444,037	6,910,088	(6.74) %
Lease liability	58,119	28,983	100.53 %
SBITA liability	41,590	-	N/A
Net OPEB liability	1,268,559	1,659,746	(23.57) %
Net pension liability	38,860,469	26,647,946	45.83 %
Total liabilities	47,862,730	36,987,421	29.40 %
Deferred inflows of resources	1,282,061	9,461,084	(86.45) %
Net position:			
Net investment in capital assets	11,926,830	10,601,642	12.50 %
Restricted	3,222,374	3,136,487	2.74 %
Unrestricted	(22,959,654)	(19,855,690)	(15.63) %
Total net position	\$ (7,810,450)	\$ (6,117,561)	(27.67) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (22,959,654)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	32,756,453
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 9,796,799</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 \$926,422, including right to use assets for leases and SBITAs.
- The principal retirement of \$469,492 of long-term debt.
- The principal payment for SBITA obligations in the amount of \$31,204 and of \$27,324 for lease obligations.
- Recognition of the net pension liability in the amount of \$38,860,469.
- Recognition of the OPEB liability in the amount of \$1,268,559.

WESTERN LINE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2023 and June 30, 2022 were \$25,438,126 and \$28,400,074, respectively. The total cost of all programs and services was \$26,863,865 for 2023 and \$23,109,989 for 2022.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

Table 2
Changes in Net Position

	Year Ended June 30, 2023	Year Ended June 30, 2022	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,000,616	\$ 2,649,777	(62.24) %
Operating grants and contributions	7,031,195	7,925,198	(11.28) %
General revenues:			
Property taxes	8,033,659	8,347,879	(3.76) %
Grants and contributions not restricted	8,639,969	8,963,143	(3.61) %
Investment earnings	226,595	64,534	251.12 %
Sixteenth section sources	373,874	258,778	44.48 %
Other	132,218	190,765	(30.69) %
Total revenues	25,438,126	28,400,074	(10.43) %
Expenses:			
Instruction	12,369,952	11,468,898	7.86 %
Support services	8,056,249	7,299,161	10.37 %
Non-instructional	1,557,228	1,542,717	0.94 %
Sixteenth section	107,519	78,598	36.80 %
Pension expense	4,731,761	2,595,596	82.30 %
OPEB expense	(125,537)	(47,646)	(163.48) %
Interest on long-term liabilities	166,693	172,665	(3.46) %
Total expenses	26,863,865	23,109,989	16.24 %
Increase (Decrease) in net position	(1,425,739)	5,290,085	(126.95) %
Net Position, July 1, as previously reported	(6,117,561)	(11,475,115)	46.69 %
Prior Period Adjustment	(267,150)	67,469	(495.96) %
Net Position, July 1, as restated	(6,384,711)	(11,407,646)	44.03 %
Net Position, June 30	\$ (7,810,450)	\$ (6,117,561)	(27.67) %

Governmental activities

The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, OPEB 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.

WESTERN LINE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2023	2022	
Instruction	\$ 12,369,952	\$ 11,468,898	7.86 %
Support services	8,056,249	7,299,161	10.37 %
Non-instructional	1,557,228	1,542,717	0.94 %
Sixteenth section	107,519	78,598	36.80 %
Pension expense	4,731,761	2,595,596	82.30 %
OPEB expense	(125,537)	(47,646)	(163.48) %
Interest on long-term liabilities	166,693	172,665	(3.46) %
Total expenses	\$ 26,863,865	\$ 23,109,989	16.24 %

	Net (Expense) Revenue		Percentage Change
	2023	2022	
Instruction	\$ (8,987,255)	\$ (7,632,267)	(17.75) %
Support services	(5,142,522)	(3,065,304)	(67.77) %
Non-instructional	178,159	961,770	(81.48) %
Sixteenth section	(107,519)	(78,598)	(36.80) %
Pension Expense	(4,731,761)	(2,595,596)	(82.30) %
OPEB expense	125,537	47,646	163.48 %
Interest on long-term liabilities	(166,693)	(172,665)	3.46 %
Total net (expense) revenue	\$ (18,832,054)	\$ (12,535,014)	(50.24) %

- Net cost of governmental activities (\$18,832,054) for 2023 and (\$12,535,014) for 2022 was financed by general revenue, which is primarily made up of property taxes (\$8,033,659 for 2023 and \$8,347,879 for 2022) and state and federal revenues (\$8,639,969 for 2023 and \$8,963,143 for 2022). In addition, there was \$373,874 and \$258,778 in Sixteenth Section sources for 2023 and 2022, respectively.
- Investment earnings amounted to \$226,595 for 2023 and \$64,534 for 2022.

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 \$13,153,807, a decrease of \$716,554, which includes a prior period adjustment of (\$267,154) and a decrease in inventory of \$7,159. \$9,883,932 or 75% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,269,875 or 25% is either non-spendable, restricted or assigned to indicate that it is not available for

WESTERN LINE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

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 \$704,826, which includes a prior period adjustment of (\$151,633). The fund balance of Other Governmental Funds showed a decrease in the amount of \$11,728, which includes a prior period adjustment of (\$115,521) and a decrease in inventory of \$7,159. The increase (decrease) in the fund balances for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
ESSER III Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

During the year, the district revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the district's actual financial activity for the General Fund and the major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2023, the district's total capital assets were \$32,383,916, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and intangible lease and SBITA assets. This amount represents an increase of \$1,864,686 from 2022. Total accumulated depreciation as of June 30, 2023, was \$14,000,473, and total depreciation expense for the year was \$1,004,269, resulting in total net capital assets of \$18,383,443.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Percentage Change</u>
Land	\$ 176,569	\$ 176,569	0.00 %
Construction in progress	2,687,383	2,242,805	19.82 %
Buildings	5,504,029	5,662,794	(2.80) %
Building improvements	6,597,793	6,267,397	5.27 %
Improvements other than buildings	1,354,655	776,278	74.51 %
Mobile equipment	1,493,732	1,748,356	(14.56) %
Furniture and equipment	459,653	554,406	(17.09) %
Intangible right to use lease asset	59,333	28,416	108.80 %
Intangible right to use SBITA asset	50,296	-	N/A %
Total	\$ 18,383,443	\$ 17,457,021	5.31 %

Additional information on the District's capital assets can be found in Note 5 included in this report. The right to use assets – Leases and SBITAs information is presented in more detail in Note 6 included in this report.

WESTERN LINE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Debt Administration. At June 30, 2023, the District had \$6,543,746 in outstanding long-term debt, including compensated absences, of which \$533,759 is due within one year. The liability for compensated absences increased \$3,441 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	June 30, 2023	June 30, 2022	Percentage Change
Obligations under energy efficiency leases	\$ 4,291,882	\$ 4,491,895	(4.45) %
Installment purchases loans payable	565,022	834,501	(32.29) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Obligations under lease liabilities	58,119	28,983	100.53 %
Subscription based IT liabilities	41,590	-	N/A %
Compensated absences payable	87,133	83,692	4.11 %
Total	\$ 6,543,746	\$ 6,939,071	(5.70) %

Additional information on the district's long-term debt can be found in Note 7 included in this report.

CURRENT ISSUES

The Western Line School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

WESTERN LINE SCHOOL DISTRICT

**Statement of Net Position
June 30, 2023**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 10,667,098
Investments	442,803
Due from other governments	1,393,462
Lease receivable	462,615
Inventories	44,541
Restricted assets	1,884,129
Capital assets, non-depreciable:	
Land	176,569
Construction in progress	2,687,383
Capital assets, net of accumulated depreciation:	
Buildings	5,504,029
Building improvements	6,597,793
Improvements other than buildings	1,354,655
Mobile equipment	1,493,732
Furniture and equipment	459,653
Leased Assets	59,333
Subscription IT assets	50,296
Total Assets	<u>33,278,091</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	7,681,146
Deferred outflows - OPEB	375,104
Total Deferred Outflows of Resources	<u>8,056,250</u>
Liabilities	
Accounts payable and accrued liabilities	1,142,455
Interest payable on long-term liabilities	47,501
Long-term liabilities, due within one year:	
Leases liabilities	15,926
Capital related liabilities	483,969
Non-capital related liabilities	4,357
SBITA liabilities	29,507
Net OPEB liability	59,190
Long-term liabilities, due beyond one year:	
Leases liabilities	42,193
Capital related liabilities	5,872,935
Non-capital related liabilities	82,776
SBITA liabilities	12,083
Net pension liability	38,860,469
Net OPEB liability	1,209,369
Total Liabilities	<u>47,862,730</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	14,236
Deferred inflows - OPEB	669,439
Deferred inflows - leases	598,386
Total Deferred Inflows of Resources	<u>1,282,061</u>
Net Position	
Net investment in capital assets	11,926,830
Restricted for:	
Expendable:	
School-based activities	1,181,939
Debt service	1,370,837
Capital improvements	22,313
Forestry improvements	16,029
Unemployment benefits	45,095
Non-expendable:	
Sixteenth section	586,161
Unrestricted	(22,959,654)
Total Net Position (deficit)	<u>\$ (7,810,450)</u>

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

WESTERN LINE SCHOOL DISTRICT

Statement of Activities For the Year Ended June 30, 2023

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 12,369,952	\$ 294,337	\$ 3,088,360	\$ -		\$ (8,987,255)
Support services	8,056,249	540,205	2,373,522	-		(5,142,522)
Non-instructional	1,557,228	166,074	1,569,313	-		178,159
Sixteenth section	107,519	-	-	-		(107,519)
Pension expense	4,731,761	-	-	-		(4,731,761)
OPEB expense	(125,537)	-	-	-		125,537
Interest on long-term liabilities	166,693	-	-	-		(166,693)
Total Governmental Activities	<u>\$ 26,863,865</u>	<u>\$ 1,000,616</u>	<u>\$ 7,031,195</u>	<u>\$ -</u>		<u>\$ (18,832,054)</u>

General Revenues:

Taxes:

General purpose levies 7,973,245

Debt purpose levies 60,414

Unrestricted grants and contributions:

State 8,427,550

Federal 212,419

Unrestricted investment earnings 226,595

Sixteenth section sources 373,874

Other 132,218

Total General Revenues 17,406,315

Change in Net Position (1,425,739)

Net Position - Beginning, as previously reported (6,117,561)

Prior Period Adjustments (267,150)

Net Position - Beginning, as restated (6,384,711)

Net Position (deficit) - Ending \$ (7,810,450)

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

WESTERN LINE SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2023

Exhibit C

	Major Funds		Other	Total
	General	ESSER III	Governmental	Governmental
	Fund	Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 9,238,331	\$ -	\$ 2,039,660	\$ 11,277,991
Cash with fiscal agents	-	-	50	50
Investments	442,803	-	1,273,186	1,715,989
Due from other governments	219,394	441,103	732,965	1,393,462
Lease receivable	462,615	-	-	462,615
Due from other funds	1,129,283	20,037	124,980	1,274,300
Inventories	-	-	44,541	44,541
Total Assets	<u>\$ 11,492,426</u>	<u>\$ 461,140</u>	<u>\$ 4,215,382</u>	<u>\$ 16,168,948</u>
<u>Liabilities, Deferred Inflows of Resources,</u>				
<u>and Fund Balances:</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 903,669	\$ 99,360	\$ 139,426	\$ 1,142,455
Due to other funds	-	361,780	912,520	1,274,300
Total Liabilities	<u>903,669</u>	<u>461,140</u>	<u>1,051,946</u>	<u>2,416,755</u>
Deferred Inflows of Resources				
Leases	598,386	-	-	598,386
Total Deferred Inflows of Resources	<u>598,386</u>	<u>-</u>	<u>-</u>	<u>598,386</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	44,541	44,541
Permanent fund principal	-	-	586,161	586,161
Restricted:				
Debt service	-	-	1,418,338	1,418,338
Capital projects	-	-	22,313	22,313
Forestry improvement purposes	-	-	16,029	16,029
Grant activities	-	-	55,734	55,734
Unemployment benefits	-	-	45,095	45,095
Food Service	-	-	975,225	975,225
Assigned:				
Student Activities	106,439	-	-	106,439
Unassigned				
	9,883,932	-	-	9,883,932
Total Fund Balances	<u>9,990,371</u>	<u>-</u>	<u>3,163,436</u>	<u>13,153,807</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,492,426</u>	<u>\$ 461,140</u>	<u>\$ 4,215,382</u>	<u>\$ 16,168,948</u>

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

WESTERN LINE SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Exhibit C-1

Total fund balances for governmental funds **\$ 13,153,807**

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

1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	\$ 176,569	
Construction in progress	2,687,383	
Buildings	11,681,015	
Building improvements	10,171,789	
Improvements other than buildings	2,474,725	
Mobile equipment	3,034,471	
Furniture and equipment	1,983,671	
Accumulated depreciation	(13,935,809)	
Leased assets	101,499	
Subscription IT assets	72,794	
Accumulated amortization	<u>(64,664)</u>	18,383,443

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability (38,860,469)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	7,681,146	
Deferred inflows of resources related to pensions	<u>(14,236)</u>	(31,193,559)

3. Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net OPEB liability (1,268,559)

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	375,104	
Deferred inflows of resources related to OPEB	<u>(669,439)</u>	(1,562,894)

4. Long-term liabilities and related accrued interest are not due and payable in the current period and, therefore, are not reported in the funds:

Other bonds payable	(1,500,000)	
Obligations under energy efficiency leases	(4,291,882)	
Installment purchase loans payable	(565,022)	
Lease liabilities	(58,119)	
SBITA obligations	(41,590)	
Compensated absences	(87,133)	
Accrued interest payable	<u>(47,501)</u>	(6,591,247)

Net Position of governmental activities **\$ (7,810,450)**

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

WESTERN LINE SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

Exhibit D

	Major Funds		Other	Total
	General	ESSER III	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues:				
Local sources	\$ 8,661,969	\$ -	\$ 201,985	\$ 8,863,954
State sources	9,480,092	-	133,012	9,613,104
Federal sources	13,597	1,355,841	4,629,946	5,999,384
Sixteenth section sources	407,954	-	13,526	421,480
Total Revenues	18,563,612	1,355,841	4,978,469	24,897,922
Expenditures:				
Instruction	10,458,136	925,642	1,905,264	13,289,042
Support services	7,464,394	225,072	1,539,132	9,228,598
Noninstructional services	-	-	1,581,584	1,581,584
Sixteenth section	107,425	-	94	107,519
Facilities acquisition and construction	924,717	165,127	-	1,089,844
Debt service:				
Principal	496,816	-	31,204	528,020
Interest	157,847	-	12,225	170,072
Other	-	-	1,250	1,250
Total Expenditures	19,609,335	1,315,841	5,070,753	25,995,929
Excess (Deficiency) of Revenues over (under) Expenditures	(1,045,723)	40,000	(92,284)	(1,098,007)
Other Financing Sources (Uses):				
Leases issued	56,460	-	-	56,460
SBITA issued	-	-	72,794	72,794
Insurance recovery	540,205	-	-	540,205
Payments held by escrow agent	-	-	116,473	116,473
Payment to QSCB debt escrow agent	-	-	(116,473)	(116,473)
Operating transfers in	294,672	-	510,095	804,767
Operating transfers out	(385,114)	(40,000)	(379,653)	(804,767)
Other financing uses	(13,693)	-	-	(13,693)
Total Other Financing Sources (Uses)	492,530	(40,000)	203,236	655,766
Net Change in Fund Balances	(553,193)	-	110,952	(442,241)
Fund Balances:				
July 1, 2022, as previously reported	10,695,197	-	3,175,164	13,870,361
Prior period adjustments	(151,633)	-	(115,521)	(267,154)
July 1, 2022, as restated	10,543,564	-	3,059,643	13,603,207
Increase (Decrease) in inventory	-	-	(7,159)	(7,159)
June 30, 2023	\$ 9,990,371	\$ -	\$ 3,163,436	\$ 13,153,807

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

**WESTERN LINE SCHOOL DISTRICT
Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (442,241)**

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

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

Capital outlay	\$ 1,814,376	
Depreciation expense	(956,228)	
Capital outlay SBITAs	72,794	
Amortization expense for SBITAs	(22,498)	
Capital outlay leases	56,460	
Amortization expense for leases	<u>(25,543)</u>	939,361

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

(12,940)

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

Leases issued	(56,460)	
SBITAs issued	(72,794)	
Payments of debt principal	469,492	
Payments of leases principal	27,324	
Payments of SBITA principal	31,204	
Accrued interest payable	<u>4,629</u>	403,395

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

Pension expense	(4,731,761)	
Contributions subsequent to the measurement date	<u>2,244,350</u>	(2,487,411)

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

OPEB expense	125,534	
Contributions subsequent to the measurement date	<u>59,163</u>	184,697

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

Change in compensated absences	(3,441)	
Change in inventory	<u>(7,159)</u>	(10,600)

Change in Net Position of governmental activities **\$ (1,425,739)**

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five (5) member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the district. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the district's non-fiduciary assets, 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.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Fund Financial Statements - Separate financial statements are provided for governmental funds. 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.

ESSER III Fund – This is a special revenue fund that accounts for the expenditures and revenues of the American Rescue Plan Elementary and Secondary School Emergency Relief (**ARP ESSER**) Fund under the American Rescue Plan (**ARP**) Act of 2021, Public Law 117-2, enacted on March 11, 2021. The ARP ESSER III funding from the ARP Act provides support for K-12 schools to help safely open and sustain the safe operations of schools and address the impacts of the coronavirus pandemic on the nation's students.

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

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.

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. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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 leases are reported as other financing sources.

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

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

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

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.

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

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 Bond 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, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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	**	**
Subscription IT asset	**	**

(**) The estimated useful life is the term of the lease or subscription agreement. There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

The term 'depreciation' includes the amortization of intangible assets.

See note 5 and 6 for details

7. Deferred outflows/inflows of resources

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

Deferred outflows of resources related to pensions

Deferred outflows of resources related to OPEB (Other post-employment benefits)

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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows of resources related to pensions

Deferred inflows of resources related to OPEB (Other post-employment benefits)

Deferred inflows of resources related to leases

See Notes 6, 9, 10, and 16 for further details.

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

When acting as the lessee, the school district uses the Federal prime borrowing rate in effect at the date of the lease inception to calculate the present value of lease payments when the rate implicit in the lease is not known.

When acting as the lessor, the school district uses 4% to calculate the present value of lease payments involving the leasing of 16th section school lands. See Note 6 for details.

10. Subscription-Based Information Technology Arrangements

The Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance and consistency of information about SBITAs. The school district implemented GASB 96 in fiscal year 2023.

11. 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 7 for details.

12. Pensions

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

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

14. 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 non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Non-spendable 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. This formal action is the official action of the school board to approve committed fund balances and to detail the action in its official minutes. 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 district management pursuant to authorization established by school board policy.

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/expense 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/expenses 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.

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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 general revenues.

15. Accounting Standards Update

GASB 96, *Subscription-Based Information Technology Arrangements*, was implemented during the 2023 fiscal year. Prior to the issuance of this statement there was no accounting or financial reporting guidance specifically for SBITAs. The purposes of the standard is to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements among governments that have entered into SBITAs, and to enhance understandability, reliability, relevance, and consistency of information about SBITAs.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$11,277,991. The carrying amount of deposits in the government-wide financial statements was reported as cash and cash equivalents in the amount of \$10,667,098 and restricted assets in the amount of \$610,893 (see Note 4).

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

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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, 2023 none of the district's bank balance of \$12,037,838 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents was \$50.

Investments

As of June 30, 2023, the district had the following investments.

Investment Type	Rating	Maturities	Fair Value
Certificates of Deposit	N/A	More than one year	\$ 442,803
U.S. Government Securities	AA+	More than one year	<u>1,273,186</u>
Total			<u>\$1,715,989</u>

The district categorizes its fair value measurements 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 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, 2023:

- The certificate of deposits of \$442,803 are valued using quoted market prices (Level 1 inputs).
- U.S. Government securities type of investments of \$1,273,186 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. As of June 30, 2023, the district did not have any investments to which this would apply.

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

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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	ESSER III Fund	\$ 361,780
	Other governmental funds	767,503
ESSER III Fund	Other governmental funds	20,037
Other governmental funds	Other governmental funds	124,980
Total		<u>\$ 1,274,300</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows. All balances are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 385,114
ESSER III Fund	General Fund	40,000
Other governmental funds	General Fund	254,672
Other governmental funds	Other governmental funds	124,981
Total		<u>\$ 804,767</u>

Operating transfers were primarily for the following: indirect cost transfers, unemployment compensation transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$610,893 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 with fiscal agents balance totaling \$50 and investment balance totaling \$1,273,186 of the QSCB Retirement Fund. Total restricted assets on the Statement of Net Position are \$1,884,129.

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 5 – Capital Assets

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

	Balance 7/1/2022	Increases	Decreases	Completed Construction	Balance 6/30/2023
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 176,569	\$ -	-	-	\$ 176,569
Construction in progress	2,242,805	1,089,843	-	(645,265)	2,687,383
Total non-depreciable capital assets	2,419,374	1,089,843	-	(645,265)	2,863,952
<u>Depreciable capital assets:</u>					
Buildings	11,681,015	-	-	-	11,681,015
Building improvements	9,526,524	-	-	645,265	10,171,789
Improvements other than buildings	1,826,820	647,905	-	-	2,474,725
Mobile equipment	3,079,470	-	45,000	1	3,034,471
Furniture and equipment	1,940,988	76,628	33,945	-	1,983,671
Total depreciable capital assets	28,054,817	724,533	78,945	645,266	29,345,671
<u>Less accumulated depreciation for:</u>					
Buildings	6,018,221	158,765	-	-	6,176,986
Building improvements	3,259,127	314,869	-	-	3,573,996
Improvements other than buildings	1,050,542	69,528	-	-	1,120,070
Mobile equipment	1,331,114	242,025	32,400	-	1,540,739
Furniture and equipment	1,386,582	171,041	33,605	-	1,524,018
Total accumulated depreciation	13,045,586	956,228	66,005	-	13,935,809
Total depreciable capital assets, net	15,009,231	(231,695)	12,940	645,266	15,409,862
Governmental activities capital assets, net	\$ 17,428,605	\$ 858,148	\$ 12,940	1	18,273,814
Lease assets, net (Note 6)					59,333
Subscription IT assets (SBITA), net (Note 6)					50,296
Total capital assets, net, as reported in the statement of net position					\$ 18,383,443

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 538,166
Support services	348,291
Non-instructional	69,771
Total depreciation expense	\$ 956,228

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

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

	Spent to June 30, 2023	Remaining Commitment
Governmental Activities:		
Reroof O'Bannon School	\$ 1,724,158	\$ 134,891
O'Bannon HVAC Replacement Project	758,498	45,235
District's Library	204,727	8,648,600
Total construction in progress	<u>\$ 2,687,383</u>	<u>\$ 8,828,726</u>

Construction projects included in governmental activities are funded with ESSER funds and the District Maintenance fund.

Note 6 – Intangible Right-to-Use Leases and Subscription Based IT Assets

A summary of lease and subscription IT asset activity during the year ended June 30, 2023 is as follows:

	Balance 7/1/2022	Additions	Deductions	Balance 6/30/2023
<u>Lease Assets:</u>				
Furniture & Equipment	\$ 45,039	56,460		101,499
Total Lease Assets	<u>45,039</u>	<u>56,460</u>	-	<u>101,499</u>
<u>Less Accumulated Amortization:</u>				
Lease assets:				
Furniture & Equipment	16,623	25,543		42,166
Total Accumulated Amortization	<u>16,623</u>	<u>25,543</u>	-	<u>42,166</u>
Total Lease Assets, net	<u>28,416</u>	<u>30,917</u>	-	<u>59,333</u>
Subscription IT Assets:		72,794		72,794
Less accumulated amortization		<u>22,498</u>		<u>22,498</u>
Subscription IT Assets, Net	-	50,296	-	50,296
Total lease and subscription IT assets, net	<u>\$ 28,416</u>	<u>81,213</u>	-	<u>109,629</u>

A summary of lease and subscription IT liabilities during the year ended June 30, 2023 is as follows:

The following is a schedule by years of the total payments due on lease liabilities:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Amounts due within one year
Lease Liabilities	\$ 28,983	56,460	27,324	58,119	15,926
Subscription IT Liabilities		72,794	31,204	41,590	29,507
Total	<u>\$ 28,983</u>	<u>129,254</u>	<u>58,528</u>	<u>99,709</u>	<u>45,433</u>

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Leases

The school district is a lessee for various non-cancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the school district recognized a lease and an intangible right-to-use lease asset.

At lease commencement, the school district initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The school district generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known. The estimated incremental borrowing rate is the rate the district would expect to obtain for a similar financed purchased at the date of lease inception.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

As Lessee:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Copier Leases	3.25-7.00%	7/1/2021	12/8/2026	\$ 101,499	\$ 58,199
Total				<u>\$ 101,499</u>	<u>\$ 58,199</u>

Leases

Year Ending June 30	Principal	Interest	Total
2024	\$ 15,926	3,274	19,200
2025	16,970	2,230	19,200
2026	18,086	1,114	19,200
2027	7,137	119	7,256
Total	<u>\$ 58,119</u>	<u>6,737</u>	<u>64,856</u>

As Lessor:

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 ensure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools.

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

The school district uses the minimum rate of 4% interest required by Mississippi statute for sixteenth section loans to calculate the present value of sixteenth section lease rental payments since a rate implicit in the sixteenth section leases is not a part of the lease contract.

The school district, acting as lessor, has entered into 20 leases involving the leasing of the right to use Sixteenth Section school lands. Such leases are let for a term that corresponds with state law in accordance with the type lease executed.

The total amount of inflows recognized in the reporting period from these leases is \$231,582. As of June 30, 2023, the School District recognized a lease receivable of \$462,615 and deferred inflow of resources of \$598,386, related to the Sixteenth section land leases. At lease inception, the district's lease receivable is measured at the present value of the lease payments expected to be received during the lease term and the deferred inflow is recorded in an amount equal to lease receivable plus any lease prepayments to be applied to future periods.

The following are the future principal and interest payments to be received on the leases:

Year Ending June 30	Lease Principal	Interest	Total
2024	\$ 196,633	18,505	215,138
2025	148,726	10,639	159,365
2026	113,410	4,690	118,100
2027	3,846	154	4,000
Total	<u>\$ 462,615</u>	<u>33,988</u>	<u>496,603</u>

SBITAs

The school district has noncancellable SBITAs of various IT software. For subscriptions that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the subscription arrangement. For all other subscription-based information technology arrangements, other than short term, the school district recognized a subscription payable and an intangible right-to-use subscription asset.

At subscription commencement, the school district initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability plus payments associated with the subscription made to the vendor at the inception of the arrangement, plus capitalized implementation costs, less vendor incentives. Subsequently, the subscription asset is amortized in depreciation and amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

The school district generally uses U. S. Treasury rate at subscription inception as the discount rate for subscriptions unless the rate that the lessor charges is known.

The subscription term includes the noncancellable period of the subscription plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or to terminate for which it is reasonably certain NOT to be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the subscription term.

The school district has entered into one (1) subscription IT arrangement.

Western Line School District
Notes to the Financial Statements
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Details of the subscription obligations are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Securely	4.08%	10/01/22	09/30/25	\$ 72,794	\$ 41,590
Total				<u>\$ 72,794</u>	<u>\$ 41,590</u>

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 29,507	3,274	32,781
2025	12,083	493	12,576
Total	<u>\$ 41,590</u>	<u>3,767</u>	<u>45,357</u>

Note 7 – Long-term Liabilities

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

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Amounts due within one year
A. Energy efficiency loan	\$ 4,491,895	-	200,013	4,291,882	205,893
B. Installment purchases loans payable	834,501	-	269,479	565,022	278,076
C. Qualified school construction bonds payable	1,500,000	-	-	1,500,000	-
D. Compensated absences payable	83,692	3,441	-	87,133	4,357
Total	<u>\$ 6,910,088</u>	<u>* \$ 3,441</u>	<u>\$ 469,492</u>	<u>\$ 6,444,037</u>	<u>\$ 488,326</u>

* The beginning balance above excludes the amount of lease liabilities of \$28,983, which is presented in the previous note to the financial statements (Note 6) to arrive to the amount shown in the prior year for \$6,939,071.

A. Energy Efficiency Loan

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency loan	2.89%	12/16/2019	11/1/2039	<u>\$ 4,985,756</u>	<u>\$ 4,291,882</u>

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

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For the Year Ended June 30, 2023

Year Ending June 30		Principal	Interest	Total
2024	\$	205,893	122,570	328,463
2025		211,947	116,576	328,523
2026		218,179	110,406	328,585
2027		224,593	104,055	328,648
2028		231,196	97,518	328,714
2029-2033		1,262,022	382,593	1,644,615
2034-2038		1,458,773	187,787	1,646,560
2039-2040		479,279	13,918	493,197
Total	\$	4,291,882	\$ 1,135,423	\$ 5,427,305

This debt will be retired from the Energy Efficiency Debt Service Fund.

An energy efficiency loan agreement dated December 16, 2019 was executed by and between the Western Line School District and Schneider Electric Building Americas, Inc., the contractor and Capital One Public Funding.

The agreement authorized the borrowing of \$4,985,756 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the loan shall be made from the Energy Efficiency Debt Serviced Fund and not exceed twenty (20) years.

The School District entered into this energy efficiency loan agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice the School District has the option of repaying the total amount due as set forth by the agreement.

B. Installment Purchases Loans Payable

The school district has entered into an installment purchase agreement for financing the acquisition of school buses at a cost of \$1,644,825. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Installment Purchases Loans	3.19%	8/15/2019	8/15/2024	\$ 1,644,825	\$ 565,022

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 278,076	18,024	296,100
2025	286,946	9,154	296,100
Total	\$ 565,022	27,178	592,200

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

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

C. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond payable	0.94%	12/23/2009	9/15/2024	\$ 1,500,000	\$ 1,500,000

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

Year Ending June 30	Principal	Interest	Total
2024 \$	-	14,100	14,100
2025	1,500,000	14,100	1,514,100
Total \$	1,500,000	28,200	1,528,200

This debt will be retired from the QSCB Sinking Fund.

D. Compensated absences payable

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

Note 8 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 9 – 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 is available at www.pers.ms.gov.

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

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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, 2007). 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.

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, 2023 was 17.40% 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, 2023, 2022 and 2021 were \$2,244,350, \$2,261,497 and \$2,085,845, 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, 2023, the school district reported a liability of \$38,860,469 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2023 net pension liability was 0.188793 percent, which was based on a measurement date of June 30, 2022. This was an increase of 0.008501 percent from its proportionate share used to calculate the June 30, 2022 net pension liability, which was based on a measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$4,731,761. At June 30, 2023 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	\$ 539,345	\$
Net difference between projected and actual earnings on pension plan investments	1,260,281	
Changes of assumptions	1,283,513	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,353,657	14,236
District contributions subsequent to the measurement date	2,244,350	
Total	\$ <u>7,681,146</u>	\$ <u>14,236</u>

\$2,244,350 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ending June 30:	
2024	\$ 1,982,716
2025	1,290,548
2026	40,620
2027	<u>2,108,676</u>
Total	5,422,560

Actuarial assumptions. The total pension liability as of June 30, 2022 was determined by actuarial valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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 most recent 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>	
Domestic Equity	25.00	%	4.60	%
International Equity	20.00		4.50	
Global Equity	12.00		4.85	
Fixed Income	18.00		1.40	
Real Estate	10.00		3.65	
Private Equity	10.00		6.00	
Private Infrastructure	2.00		4.00	
Private Credit	2.00		4.00	
Cash Equivalents	1.00		(0.10)	
Total	<u>100</u>	<u>%</u>		

Discount rate. The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be

Western Line School District
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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 table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.55%, 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 (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 50,716,881	\$ 38,860,469	\$ 29,085,461

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 10 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

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Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$59,163 for the year ended June 30, 2023.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2023, the District reported a liability of \$1,268,559 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2022, the District's proportion was 0.25747926 percent. This was a decrease of 0.00037256 percent from the proportionate share as of the measurement date of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$125,537). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,051	\$ 549,592
Changes of assumptions	197,852	117,452
Net difference between projected and actual earnings on OPEB plan investments	88	
Changes in proportion and differences between District contributions and proportionate share of contributions	116,950	2,395
District contributions subsequent to the measurement date	59,163	
Total	\$ <u>375,104</u>	\$ <u>669,439</u>

\$59,163 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2024	\$ (69,666)
2025	(60,226)
2026	(81,487)
2027	(79,068)
2028	(45,033)
Thereafter	(18,018)

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.37%
Prior Measurement Date	2.13%
Year FNP is projected to be depleted	
Measurement Date	2022
Prior Measurement Date	2021
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.37%
Prior Measurement Date	2.13%
Health Care Cost Trends	
Medicare Supplement Claims	7.00% for 2023 decreasing to an ultimate
Pre-Medicare	rate of 4.50% by 2029 FYE

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2022 valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2022 was 3.37 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.13% to 3.37%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2022, the trust has \$1,049,208. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2021 and the June 30, 2022 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2022 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

percentage-point lower (2.37 percent) or 1-percentage-point higher (4.37 percent) than the current discount rate:

	1% Decrease (2.37%)	Current Discount Rate (3.37%)	1% Increase (4.37%)
Net OPEB liability	\$ 1,397,474	\$ 1,268,559	\$ 1,157,822

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,180,303	\$ 1,268,559	\$ 1,367,879

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Note 11 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1 To correctly present capital assets	\$ 1
2 Rounding difference	3
3 See explanation below.	(267,154)
Total	\$ (267,150)

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

Fund	Explanation	Amount
General Fund	To correct prior year's assets and/or liabilities	\$ (151,633)
Other Governmental Funds	To correct prior year's assets and/or liabilities	(115,521)
Total		\$ (267,154)

Western Line School District
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 12 – 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. Except as described below, 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.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 48 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The school district did not apply for any subsidies for the year ended June 30, 2023.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2023 was \$1,273,236. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2024	\$	103,000
2025		103,000
Total	\$	<u>206,000</u>

Note 14 – Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 15 - Insurance loss recovery

The Western Line School District received \$540,205 in insurance loss recoveries during the year related to property damage caused by storms. The amount was reported as charges for services and allocated to the support services expense function.

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$22,959,654) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$2,244,350 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The \$5,436,796 balance of deferred outflow of resources related to pensions, at June 30, 2023, will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$22,959,654) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$14,236 balance of deferred inflow of resources related to pensions, at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$22,959,654) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$59,163 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. The \$315,941 balance of deferred outflow of resources related to OPEB, at June 30, 2023, will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$22,959,654) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$669,439 balance of deferred inflow of resources related to OPEB, at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$22,959,654) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from leases. The \$598,386 balance of deferred inflow of resources related to leases, at June 30, 2023, will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

Note 17 – 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 shop for the servicing, repair and maintenance of such county-owned or district-owned buses. Two (2) or more counties or school districts are authorized, in the discretion of the respective school boards thereof, jointly to establish, maintain and operate a school bus garage or shop for the servicing, repair and maintenance of such county-owned or school district-owned buses. All of such garages or shops shall be established, maintained and operated under such rules and regulations as may be promulgated by the State Board of Education.

Full responsibility for transportation of students establishment, maintenance and operating of a school bus garage or repair facility for the servicing, repair, and maintenance of district-owned school buses and other vehicles was transferred from the Washington County Board of Education to the districts. The present facility and school buses were repurchased by the Board of Education with transportation funds allocated to the districts. The facility was appraised as having a fair market value of \$84,000, and Western Line has agreed to purchase the entire interest of Hollandale and Leland for the sum of \$28,000 each. The Board of Education executed and delivered a recordable warranty deed conveying the facility to Western Line upon being furnished satisfactory evidence it has acquired the interest 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	35	76
Hollandale	11	24

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

Each district shall receive and have control over state funds distributed for transportation purposes and shall be responsible for the purchase of new buses if, as and when needed. The facility 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 Washington County School Buss Facility and the operations of the agreement are included in the financial statements.

Note 18 – State Compliance Testing

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>.

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Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 19 - 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 July 12, 2024, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN LINE SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 9,053,344	\$ 8,696,049	\$ 8,661,969	\$ (357,295)	\$ (34,080)
State sources	9,342,451	9,480,092	9,480,092	137,641	-
Federal sources	20,600	13,597	13,597	(7,003)	-
Sixteenth section sources	401,000	402,460	407,954	1,460	5,494
Total Revenues	18,817,395	18,592,198	18,563,612	(225,197)	(28,586)
Expenditures:					
Instruction	10,882,776	10,458,136	10,458,136	424,640	-
Support services	7,179,170	7,438,092	7,464,394	(258,922)	(26,302)
Sixteenth section	78,000	107,424	107,425	(29,424)	(1)
Facilities acquisition and construction	-	854,017	924,717	(854,017)	(70,700)
Debt service:					
Principal	624,505	624,505	496,816	-	127,689
Interest	-	-	157,847	-	(157,847)
Total Expenditures	18,764,451	19,482,174	19,609,335	(717,723)	(127,161)
Excess (Deficiency) of Revenues over (under) Expenditures	52,944	(889,976)	(1,045,723)	(942,920)	(155,747)
Other Financing Sources (Uses):					
Leases issued	-	-	56,460	-	56,460
Insurance recovery	-	540,205	540,205	540,205	-
Operating transfers in	2,375,875	2,066,472	294,672	(309,403)	(1,771,800)
Operating transfers out	(2,249,238)	(2,156,915)	(385,114)	92,323	1,771,801
Other financing uses	-	(13,693)	(13,693)	(13,693)	-
Total Other Financing Sources (Uses)	126,637	436,069	492,530	309,432	56,461
Net Change in Fund Balances	179,581	(453,907)	(553,193)	(633,488)	(99,286)
Fund Balances:					
July 1, 2022, as previously reported	10,911,921	10,802,381	10,695,197	(109,540)	(107,184)
Prior period adjustments	-	(79,006)	(151,633)	(79,006)	(72,627)
July 1, 2022, as restated	10,911,921	10,723,375	10,543,564	(188,546)	(179,811)
June 30, 2023	\$ 11,091,502	\$ 10,269,468	\$ 9,990,371	\$ (822,034)	\$ (279,097)

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

WESTERN LINE SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Fund - ESSER III
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 405,925	\$ 9,308,462	\$ 1,355,841	\$ 8,902,537	\$ (7,952,621)
Total Revenues	405,925	9,308,462	1,355,841	8,902,537	(7,952,621)
Expenditures:					
Instruction	348,197	1,619,449	925,642	(1,271,252)	693,807
Support services	57,728	1,415,096	225,072	(1,357,368)	1,190,024
Facilities acquisition and construction	-	6,233,917	165,127	(6,233,917)	6,068,790
Total Expenditures	405,925	9,268,462	1,315,841	(8,862,537)	7,952,621
Excess (Deficiency) of Revenues over (under) Expenditures	-	40,000	40,000	40,000	-
Other Financing Sources (Uses):					
Operating transfers out	-	(40,000)	(40,000)	(40,000)	-
Total Other Financing Sources (Uses)	-	(40,000)	(40,000)	(40,000)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2022	-	-	-	-	-
June 30, 2023	\$ -	\$ -	\$ -	\$ -	\$ -

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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.188793%	0.180292%	0.180325%	0.167792%	0.159588%	0.153423%	0.151769%	0.150911%	0.148957%
District's proportionate share of the net pension liability	\$ 38,860,469	\$ 26,647,946	\$ 34,908,825	\$ 29,517,923	\$ 26,544,226	\$ 25,504,110	\$ 27,109,733	\$ 23,187,043	\$ 18,207,254
District's covered payroll	12,997,109	11,987,615	12,007,391	10,927,886	10,191,244	9,842,159	9,709,003	9,428,076	9,102,051
District's proportionate share of the net pension liability as a percentage of its covered payroll	298.99%	222.30%	290.73%	270.12%	260.46%	259.13%	279.22%	245.94%	200.03%
Plan fiduciary net position as a percentage of the total pension liability	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 2,244,350	\$ 2,261,497	\$ 2,085,845	\$ 2,089,285	\$ 1,721,142	\$ 1,605,121	\$ 1,550,140	\$ 1,529,168	\$ 1,484,922
Contributions in relation to the contractually required contribution	2,244,350	2,261,497	2,085,845	2,089,285	1,721,142	1,605,121	1,550,140	1,529,168	1,484,922
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	\$ 12,898,563	\$ 12,997,109	\$ 11,987,615	\$ 12,007,385	\$ 10,927,886	\$ 10,191,244	\$ 9,842,159	\$ 9,709,003	\$ 9,428,076
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	17.40%	15.75%	15.75%	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

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

OPEB

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.25747926%	0.25785182%	0.25325878%	0.24167390%	0.23325217%	0.22543631%
District's proportionate share of the net OPEB liability	\$ 1,268,559	\$ 1,659,746	\$ 1,970,880	\$ 2,050,702	\$ 1,804,322	\$ 1,768,794
District's covered - employee payroll	12,652,418	12,258,786	12,205,442	11,067,277	10,549,837	10,128,233
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	10.03%	13.54%	16.15%	18.53%	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.21%	0.16%	0.13%	0.12%	0.13%	0.00%

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 Statement No. 75 was implemented in FYE 6/30/2018, 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
OPEB
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 59,163	\$ 51,697	\$ 66,711	\$ 78,598	\$ 82,198	\$ 75,406
Contributions in relation to the actuarially determined contribution	59,163	51,697	66,711	78,598	82,198	75,406
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered - employee payroll	\$ 12,898,563	\$ 12,997,109	\$ 10,280,484	\$ 12,007,385	\$ 10,927,886	\$ 10,191,244
Contributions as a percentage of covered - employee payroll	0.46%	0.40%	0.65%	0.65%	0.75%	0.74%

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 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit reports.

Western Line School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

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 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%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

Western Line School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2021:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; for females, 84% of female rates up to age 72, 100% for ages above 76; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments: for males, 134% of male rates at all ages; for females, 121% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments: for males, 97% of male rates at all ages; for females, 110% of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

Western Line School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

(2) *Changes in benefit provisions*

2016:

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.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2020 valuation for the June 30, 2022 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	27.7 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

2022: The discount rate was changed from 2.13% for the prior Measurement Date to 3.37% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

Western Line School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

2022: The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2021 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	6.50%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2030
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.13%

SUPPLEMENTARY INFORMATION

WESTERN LINE SCHOOL DISTRICT
Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	235MS326N1099	\$ 10,015
National School Lunch Program	10.555	235MS326N1099	1,497,378
Total Child Nutrition Cluster			1,507,393
Total Passed-through Mississippi Department of Education			1,507,393
Total U.S. Department of Agriculture			1,507,393
<u>U.S. Department of Justice</u>			
Direct Program:			
Community Oriented Policing Services (COPS) Grant	16.710	N/A	382,722
Total U.S. Department of Justice			382,722
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A220024	1,020,173
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	140,438
Supporting Effective Instruction State Grants	84.367	S367A220023	183,858
School Improvement Grant	84.377	S377A160025	10,948
Student Support and Academic Enrichment Program	84.424	S424A210025	73,917
Subtotal			1,429,334
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A220108	720,910
COVID-19 - IDEA, Part B ARP Grant	84.027X	H027X220108	76,380
Subtotal			797,290
Special Education - Preschool Grants	84.173	H173A220113	7,292
COVID-19 - IDEA, Preschool ARP Grant	84.173X	H173X220113	7,258
Subtotal			14,550
Total Special Education Cluster			811,840
Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	8,483
Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	397,481
Elementary & Secondary School Emergency Relief Fund III ARP	84.425U	S425U210031	1,282,641
Elementary & Secondary School Emergency Relief Pre-K Grant	84.425D	S425D210031	12,599
COVID-19 - Education Stabilization Fund (ESSER) Subtotal			1,701,204
Total Passed-through Mississippi Department of Education			3,942,378
Total U.S. Department of Education			3,942,378
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	93.778	2205MS5ADM	7,093
Total passed-through Mississippi Department of Education			7,093
Total U.S. Department of Health and Human Services			7,093
<u>U.S. Department of Social Security Administration</u>			
Passed-through the Mississippi Department of Rehabilitation Services:			
Social Security Disability Insurance	96.001	4-23-04MSD100	294
Total passed-through Mississippi Department of Rehabilitation Services			294
Total U.S. Department of Social Security Administration			294
Total for All Federal Awards			\$ 5,839,880

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, 2023

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 Western Line School District under programs of the federal government for the year ended June 30, 2023. 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 Western Line School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Western Line School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported 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 Western Line School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities are included in the National School Lunch Program.

E-rate funds have not been included on this schedule due to the fact the FCC considers the support to be in the form of providing a discount to the schools and libraries and does not consider the assistance to be direct financial support.

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.

WESTERN LINE SCHOOL DISTRICT
Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2023

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 17,581,260	12,570,160	948,887	1,153,924	2,908,289
Other	8,414,669	2,661,072	266,808	47,191	5,439,598
Total	<u>\$ 25,995,929</u>	<u>15,231,232</u>	<u>1,215,695</u>	<u>1,201,115</u>	<u>8,347,887</u>
Total number of students *	<u>1,677</u>				
Cost per student	<u>\$ 15,501</u>	<u>9,082</u>	<u>725</u>	<u>716</u>	<u>4,978</u>

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

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

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

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

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

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

OTHER INFORMATION

WESTERN LINE SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 8,661,969	\$ 8,918,857	\$ 7,708,412	\$ 7,679,862
State sources	9,480,092	9,235,714	8,985,315	9,154,077
Federal sources	13,597	19,678	141,301	67,743
Sixteenth section sources	407,954	258,778	398,489	382,452
Total Revenues	18,563,612	18,433,027	17,233,517	17,284,134
Expenditures:				
Instruction	10,458,136	9,927,869	9,754,421	10,265,112
Support services	7,464,394	6,588,490	6,824,690	8,817,102
Noninstructional services	-	-	-	197
Sixteenth section	107,425	78,598	-	66,052
Facilities acquisition and construction	924,717	2,242,805	127,191	-
Debt service:				
Principal	496,816	471,506	552,635	-
Interest	157,847	170,584	238,200	-
Total Expenditures	19,609,335	19,479,852	17,497,137	19,148,463
Excess (Deficiency) of Revenues over (under) Expenditures	(1,045,723)	(1,046,825)	(263,620)	(1,864,329)
Other Financing Sources (Uses):				
Installment purchase loan issued	-	-	-	1,644,825
Leases issued	56,460	13,506	-	-
Insurance recovery	540,205	2,291,225	157,289	-
Sale of transportation equipment	-	-	-	125,700
Sale of other property	-	272	40	-
Operating transfers in	294,672	2,505,455	285,342	115,858
Other financing sources	-	-	-	6,549
Operating transfers out	(385,114)	(302,513)	(551,941)	(661,847)
Other financing uses	(13,693)	-	-	-
Total Other Financing Sources (Uses)	492,530	4,507,945	(109,270)	1,231,085
Net Change in Fund Balances	(553,193)	3,461,120	(372,890)	(633,244)
Fund Balances:				
Beginning of period, as previously reported	10,695,197	7,166,608	7,483,358	8,116,602
Prior period adjustments	(151,633)	67,469	56,140	-
Beginning of period, as restated	10,543,564	7,234,077	7,539,498	8,116,602
End of Period	\$ 9,990,371	\$ 10,695,197	\$ 7,166,608	\$ 7,483,358

*SOURCE - PRIOR YEAR AUDIT REPORTS

WESTERN LINE SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2023	2022*	2021*	2020*
Revenues:				
Local sources	\$ 8,863,954	\$ 8,961,731	\$ 7,797,606	\$ 7,808,308
State sources	9,613,104	9,356,132	9,266,263	9,390,560
Federal sources	5,999,384	7,532,208	4,825,999	3,099,385
Sixteenth section sources	421,480	258,778	398,489	393,697
Total Revenues	24,897,922	26,108,849	22,288,357	20,691,950
Expenditures:				
Instruction	13,289,042	12,422,693	12,542,481	11,644,531
Support services	9,228,598	7,704,398	9,224,476	9,637,729
Noninstructional services	1,581,584	1,553,710	1,662,007	1,386,760
Sixteenth section	107,519	78,598	-	66,300
Facilities acquisition and construction	1,089,844	2,242,805	846,162	4,098,767
Debt service:				
Principal	528,020	471,506	552,635	296,100
Interest	170,072	182,809	250,425	12,225
Other	1,250	1,600	1,250	1,250
Total Expenditures	25,995,929	24,658,119	25,079,436	27,143,662
Excess (Deficiency) of Revenues over (under) Expenditures	(1,098,007)	1,450,730	(2,791,079)	(6,451,712)
Other Financing Sources (Uses):				
Installment purchase loans issued	-	-	-	6,630,581
Leases issued	56,460	13,506	-	-
SBITA issued	72,794	-	-	-
Insurance recovery	540,205	2,291,225	157,289	-
Payment held escrow agent	116,473	95,613	103,000	103,000
Payment to QSCB debt escrow agent	(116,473)	(95,613)	(103,000)	(103,000)
Sale of transportation equipment	-	-	-	125,700
Sale of other property	-	272	754	-
Operating transfers in	804,767	2,807,968	972,735	908,815
Other financing sources	-	-	173,000	6,549
Operating transfers out	(804,767)	(2,807,968)	(972,735)	(908,815)
Other financing uses	(13,693)	-	(173,843)	(1,313)
Total Other Financing Sources (Uses)	655,766	2,305,003	157,200	6,761,517
Net Change in Fund Balances	(442,241)	3,755,733	(2,633,879)	309,805
Fund Balances:				
Beginning of period, as previously reported	13,870,361	10,044,515	12,582,668	12,233,967
Prior period adjustments	(267,154)	67,469	82,772	-
Beginning of period, as restated	13,603,207	10,111,984	12,665,440	12,233,967
Increase (Decrease) in reserve for inventory	(7,159)	2,644	12,954	38,896
End of Period	\$ 13,153,807	\$ 13,870,361	\$ 10,044,515	\$ 12,582,668

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

BROWN CPA, PLLC

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

Superintendent and School Board
Western Line School District

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, 2023, and the related notes to the financial statements, which collectively comprise Western Line School District's basic financial statements, and have issued our report thereon dated July 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Line School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Line School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Line School District's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2023-001** and **2023-002** to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2023-003** to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Line School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items **2023-001**, **2023-002**, and **2023-003**.

Western Line School District Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Brown CPA, PLLC
Madison, Mississippi
July 12, 2024



BROWN CPA, PLLC

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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

Opinion on Each Major Federal Program

We have audited Western Line School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Western Line School District's major federal programs for the year ended June 30, 2023. The Western Line School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Western Line School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Western Line School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Western Line School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Western Line School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Western Line School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform

Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Western Line School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Western Line School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Western Line School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Western Line School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item **2023-004**. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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 material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **2023-004** to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Brown CPA, PLLC
Madison, Mississippi
July 12, 2024

A handwritten signature in dark ink that reads "Brown CPA, PLLC". The signature is written in a cursive, flowing style.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Western Line School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|--|--|------------|
| 1. | Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | Yes |
| 3. Noncompliance material to financial statements noted? | | |
| | | Yes |

Federal Awards:

- | | | |
|---|---------------------------------------|------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | | |
| | | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | | |
| | | Yes |

7. Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.027X; 84.173; 84.173X	Special Education Cluster
84.425D	COVID-19 – Elementary & Secondary School Emergency Relief I, II, and Pre-K Grant (ESSER)
84.425U	COVID-19 – Elementary & Secondary School Emergency Relief III ARP (ESSER)

- | | | |
|--|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | | |
| | | No |
| 10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | | |
| | | No |

Western Line School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section II: Financial Statement Findings

Material Weakness/Material Non-Compliance

2023-001 Finding

Capital asset testing and internal controls

Criteria:

According to the MS Public School Asset Management Manual and based on the requirement of GASB Statement 34 public school districts are required to establish and maintain a system of accountability, control, and reporting for their capital assets. School districts are required to develop policies and to establish and implement control procedures to implement those policies to ensure a high degree of certainty that the policies are adhered to as intended by the school board. Required policies include valuation of its capital assets, capitalization policy, and a policy on depreciating capital assets. In addition, all capital assets should be tagged and properly recorded in the financial statements.

Condition:

During our asset inventory testing we noted the following exceptions out of a sample of thirty (30) tested:

- a. Three (3) assets could not be found during physical inspection. An explanation could not be provided at the time of inspection.
- b. Two (2) assets were not found at the time of inspection. One was stolen and the other was disposed of but was still included on the inventory list.

Cause:

The district did not have adequate controls in place to ensure that all assets were being properly maintained and available at the time of an audit inspection.

Effect:

This could cause capital assets to be misstated on the financials and could lead to assets being easily misplaced or stolen.

Questioned Cost:

None

Recommendation:

The district should implement the proper procedures and controls with regard to the purchase, disposal, and transfer of fixed assets. District should reconcile assets monthly to the general ledger, including additions and board approved disposals. The district should also require an annual inventory of all capital assets within the district. The proper transfer paperwork should be submitted when an asset is moved to a new location within the district and each asset should be tagged with the number assigned by the software.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 79.

2023-002 Finding

Capital assets Construction in Progress not reconciled and correctly reported on the financial statements.

Criteria:

According to the MS Public School Asset Management Manual and based on the requirement of GASB Statement 34 public school districts are required to establish and maintain a system of accountability, control, and reporting for their capital assets. School districts are required to develop policies and to establish and implement control procedures to implement those policies to ensure a high degree of certainty

Western Line School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

that the policies are adhered to as intended by the school board. Required policies include valuation of its capital assets, capitalization policy, and a policy on depreciating capital assets. In addition, all capital assets should be tagged and properly recorded in the financial statements.

According to the MS Public School Asset Management Manual construction in progress (CIP) includes all buildings and facilities that are currently under construction. The cost is accumulated and once the project is complete, the amount in CIP is moved to the building account code and capitalized.

A critical aspect of effective financial management is the maintenance of accurate accounting records, which includes reconciling of construction in progress to ensure the values are fairly stated.

Condition:

We noted the following deficiencies in financial statement preparation and reporting:

- The district is not properly keeping up with CIP and booking the related payables, such as retainage payable and construction contracts payable. One of the projects was completed in FY23 and was not capitalized. Adjustments were proposed and made to correct the balance for CIP, to properly show the payables, and to capitalize the completed construction project.

Cause:

The district did not have the proper controls in place to ensure construction in progress is being reconciled and properly reported in the financial statements.

Effect:

Failures in internal controls over financial statement preparation and reporting could cause misstatements in the financial statements.

Recommendation:

We recommend the district implement internal controls to ensure construction in progress and capital assets are reconciled and correctly stated on the financial statements.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 79.

**Significant Deficiencies not considered to be
Material Weaknesses/Immaterial Non-Compliance**

2023-003 Finding

Accounts payable testing and internal controls.

Criteria:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) publishes The Internal Control-Integrated Framework that establishes guidance on internal control and fraud deterrence. An effective system of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. This includes maintenance of accurate accounting records and following the proper purchasing procedures.

Condition:

During our testing of twenty (20) invoices, we noted the following exceptions:

1. Invoices were not initialed and dated when received by the district.
2. Invoices are not being cancelled (marked paid) to indicate payment.

Western Line School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

3. Invoices are not being consistently signed and dated when goods and services are received.

Cause:

The district did not have the proper controls in place to ensure all purchasing laws are being followed for each transaction.

Effect:

Without a proper internal control system being in place to ensure accurate accounting records, there is an increased risk that the financial statements could be misstated.

Recommendation:

District should implement policies and procedures to establish an internal control system that will require accountability regarding accounts payable and purchasing. This will ensure the proper safeguarding of assets and accurate accounting records.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 79.

Section III: Federal Award Findings and Questioned Costs

**Significant Deficiencies not considered to be
Material Weaknesses/Immaterial Non-Compliance**

2023-004 Finding

Accounts payable testing and internal controls.

Programs:

Special Education Cluster, ALN #84.027; 84.027X; 84.173; 84.173X

COVID-19 – Elementary & Secondary School Emergency Relief I, II, and Pre-K (ESSER), ALN #84.425D

COVID-19 – Elementary & Secondary School Emergency Relief III ARP (ESSER) ALN #84.425U

Compliance Requirement: Allowable Costs/Cost Principles

Repeat Finding:

None

Criteria:

An effective system of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. This includes maintenance of accurate accounting records and following the proper purchasing procedures.

Condition:

During our testing of forty-three (43) invoices, we noted the following exceptions:

1. Invoices were not initialed and dated when received by the district.
2. Invoices are not being cancelled (marked paid) to indicate payment.
3. Invoices are not being consistently signed and dated when goods and services are received.

Western Line School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

4. Purchase orders and/or invoices are not being consistently signed/approved by the managing director.

Context:

Internal control procedures were tested for accounts payable in the major federal funds.

Cause:

The district did not properly ensure that the accounts payable internal control system was being followed for all transactions including all purchasing procedures required by the state.

Effect:

Without a proper internal control system being in place to ensure accurate accounting records, there is an increased risk that the financial statements could be misstated.

Questioned Cost:

None

Recommendation:

District should implement policies and procedures to establish an internal control system that will require accountability with regard to accounts payable and purchasing. This will ensure the proper safeguarding of assets and accurate accounting records.

Response:

Please refer to the Auditee's Corrective Action Plan beginning on page 79.

AUDITEE'S CORRECTIVE ACTION PLAN



WESTERN LINE SCHOOL DISTRICT

"Committed to Excellence in Education"

102 Maddox Road – P. O. Box 50
Avon, MS 38723

Lawrence M. Hudson, Ph.D.
Superintendent of Education

O'Bannon - Riverside

Telephone: (662) 335-7186
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AUDITEE'S CORRECTIVE ACTION PLAN

As required by the Uniform Guidance, The Western Line School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2023:

Finding	Corrective Action Plan Details
2023-001	<p>Capital asset testing and internal controls</p> <p>A. Name of contact person responsible for corrective action: Name: Glenda Ketchum Title: Business Manager</p> <p>B. Corrective action planned:</p> <p>The district will strengthen and implement controls to ensure assets are properly managed including disposals, inventory of assets being conducted at least twice a year, and assets being maintained according to the asset management manual.</p> <p>C. Anticipated completion date:</p> <p>Immediately</p>
2023-002	<p>Capital assets Construction in Progress not reconciled and correctly reported on the financial statements.</p> <p>A. Name of contact person responsible for corrective action: Name: Glenda Ketchum Title: Business Manager</p> <p>B. Corrective action planned:</p> <p>The district will ensure capital assets including construction in progress are being reconciled and fairly stated on the financial statements.</p> <p>C. Anticipated completion date:</p> <p>June 30, 2024</p>

2023-003

Accounts payable testing and internal controls.

A. Name of contact person responsible for corrective action:

Name: Glenda Ketchum

Title: Business Manager

B. Corrective action planned:

The District will implement policies and procedures to establish an internal control system that will require accountability with regard to accounts payable and purchasing. That will also ensure proper safeguarding of assets and accurate accounting records.

C. Anticipated completion date:

Immediately

2023-004

Accounts payable testing and internal controls.

A. Name of contact person responsible for corrective action:

Name: Glenda Ketchum

Title: Business Manager

B. Corrective action planned:

The District will implement policies and procedures to establish an internal control system that will require accountability with regard to accounts payable and purchasing. That will also ensure proper safeguarding of assets and accurate accounting records.

C. Anticipated completion date:

Immediately