



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

WESTERN LINE SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2008

Robert Britt, CPA, P. A.
Clarksdale, Mississippi



WESTERN LINE SCHOOL DISTRICT

Table of Contents

	Page	
FINANCIAL AUDIT REPORT	1	
INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION	3	
MANAGEMENT DISCUSSION AND ANALYSIS	7	
 BASIC FINANCIAL STATEMENTS		
Statement of Net Assets	14	
Statement of Activities	15	
Balance Sheet - Governmental Funds	16	
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	17	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18	
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19	
Statement of Fiduciary Assets and Liabilities.....	20	
Notes to the Financial Statements	21	
 REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule - General Fund	34	
Budgetary Comparison Schedule - Title I Fund.....	35	
Budgetary Comparison Schedule - IDEA	36	
Budgetary Comparison Schedule - 16th Section Interest Fund.....	37	
Notes to the required supplementary information	38	
 SUPPLEMENTAL INFORMATION		
Schedule of Expenditures of Federal Awards	40	
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	42	
 OTHER SUPPLEMENTAL INFORMATION		
Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund - Last Four years.....	44	
Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds - Last Four Years.....	45	
 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>		49
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133		53
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS		57
SCHEDULE OF FINDINGS AND QUESTIONED COST	61	
AUTITEE'S CORRECTIVE ACTION PLAN	65	



WESTERN LINE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

WESTERN LINE SCHOOL DISTRICT

(This page left blank intentionally)

Robert Britt, CPA, P. A.

P O BOX 1477
947 SUNFLOWER AVENUE
SUITE B

TELEPHONE 662-624-6084
FAX 662-627-3984
CLARKSDALE MISSISSIPPI 38614

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

Superintendent and School Board
Western Line School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Western Line School District as of and for the year ended June 30, 2008, which collectively comprise the Western Line School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Western Line School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, 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, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 3, 2008, on my consideration of the Western Line School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations contracts and grants and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages (7) through (12) and the Budgetary Comparison Schedules and corresponding notes on pages (34) through (38) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition the Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.



November 3, 2008,

WESTERN LINE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

WESTERN LINE SCHOOL DISTRICT

(This page left blank intentionally)

WESTERN LINE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The discussion and analysis of Western Line School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

Total net assets increased by \$ 2,147,617, inclusive of prior period adjustments, which represents a 19.9% increase from fiscal year 2007.

General revenues account for \$13,745,173 in revenue, or 81% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,295,818 or 19% of total revenues.

The District had \$15,726,993 in expenses; only \$3,295,818 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$13,745,173 were adequate to provide for these programs.

Among major funds, the General Fund had \$13,534,830 in revenues and \$12,292,808 in expenditures. The General Fund's fund balance increased \$600,039 over the prior year due to sound fiscal management.

Capital assets, net of accumulated depreciation, increased by \$867,188.

Long-term debt decreased by \$350,769.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

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, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 17 and 19, respectively.

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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 16 and 18 respectively of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities on page 20.

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 on pages 21-32 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

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 Special Revenue major fund. This

required supplementary information can be found on pages 34-38 of this report.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Cir. A-133 and can be found on pages 40-41 of this report. Also, a Schedule of Instructional, Administrative and Other Expenditures - Governmental funds, a Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund - Last Four Years, and a Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds - Last Four Years, as required by the Mississippi Department of Education and can be found on pages 42-44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government’s financial position. In the case of the District, assets exceeded liabilities by \$12,951,676 as of June 30, 2008.

The largest portion of the District’s net assets (46.6%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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.

The following table presents a summary of the District’s net assets for the fiscal year ended June 30, 2008 compared to the same period in 2007.

	2008	2007	Change
Current assets	7,253,385	6,249,867	16.06%
Capital assets, net	<u>8,864,670</u>	<u>7,997,482</u>	<u>10.84%</u>
Total assets	<u>16,118,055</u>	<u>14,247,349</u>	<u>13.13%</u>
Current liabilities	185,661	111,803	66.06%
Long-term debt outstanding	<u>2,980,718</u>	<u>3,331,487</u>	<u>-10.53%</u>
Total liabilities	<u>3,166,379</u>	<u>3,443,290</u>	<u>-8.04%</u>
Net assets:			
Invested in capital assets, net of related debt	6,036,670	4,815,482	25.36%
Restricted	1,669,552	1,536,486	8.66%
Unrestricted	<u>5,245,454</u>	<u>4,452,091</u>	<u>17.82%</u>
Total net assets	<u>12,951,676</u>	<u>10,804,059</u>	<u>19.88%</u>

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

The principal retirement of \$ 368,324 of long-term debt.

The addition of \$502,834 in capital assets from the equipping and furnishing existing schools and renovations and additions to existing schools

Changes in net assets. The District’s total revenues for the fiscal year ended June 20, 2008 were \$17,040,991. The total cost of all programs and services was \$15,726,993. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 compared to the same period in 2007.

	Governmental Activities		Percent Change
	2008	2007	
Revenues:			
Program revenues			
Charges for services	302,788	444,999	-31.96%
Operating Grants and contributions	2,993,030	2,560,420	16.90%
General Revenues			
Property taxes	4,501,089	4,360,070	3.23%
Grants and contributions not restricted	8,809,071	8,321,893	5.85%
Other	435,013	351,842	23.64%
Total revenues	17,040,991	16,039,224	6.25%
Expenses:			
Instruction	9,718,100	9,072,860	7.11%
Support services	4,988,188	4,597,270	8.50%
Non-instructional	927,405	959,537	-3.35%
Sixteenth section	19,615	19,271	1.79%
Interest on long-term obligations	73,685	90,180	-18.29%
Total Expenses	15,726,993	14,739,118	6.70%
Increase (Decrease) in net assets	1,313,998	1,300,106	1.07%
Net assets July 1	10,804,059	9,503,953	13.68%
Prior period adjustment	833,619		100.00%
Net assets July 1 - as restated	11,637,678	9,503,953	22.45%
Net assets June 30	12,951,676	10,804,059	19.88%

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

	Total Cost of Services		Percent Change	Net Revenue (Expense)		Percent Change
	2008	2007		2008	2007	
Instruction	9,718,100	9,072,860	7.11%	(8,141,829)	(8,053,771)	1.09%
Support services	4,988,188	4,597,270	8.50%	(4,247,684)	(3,579,420)	18.67%
Non-instructional	927,405	959,537	-3.35%	51,638	8,943	477.41%
Sixteenth section	19,615	19,271	1.79%	(19,615)	(19,271)	1.79%
Interest on long-term obligatio	73,685	90,180	-18.29%	(73,685)	(90,180)	-18.29%
	15,726,993	14,739,118	6.70%	(12,431,175)	(11,733,699)	5.94%

Net cost of governmental activities \$12,431,175, was financed by general revenue, which is made up of primarily property taxes \$4,501,089, state revenue \$8,559,841, and federal revenue \$249,230.

Investment earnings accounted for \$150,010 of funding.

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, unreserved 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 \$7,083,430, an increase of \$925,658 due primarily to sound financial management. \$5,684,463 or 80% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,398,967 or 20% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$600,040 primarily due to sound financial management. The Sixteenth Section Interest Fund showed an increase of \$176,846 because no funds were transferred to the general fund for operations. The Title I fund and the IDEA Fund had no fund balance in either the current or prior year. The fund balance of Other Governmental Funds showed an increase of \$148,772 due primarily to debt service revenues held for future retirement of debt.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

The district increased budget amounts for revenue in some instances because the revenues received exceeded expectations. Expenditures were amended to actual expenditures at June 30, 2008 as recorded in the district's prepared financial statements.

Schedules showing the original and final budget amounts compared to the District's actual financial information for the General Fund and other major Special Revenue funds are provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$15,114,603, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$496,404 from the previous year due to the acquisitions exceeding dispositions. Total accumulated depreciation as of June 30, 2008 was \$6,349,933 and total depreciation expense for the year was \$469,259, resulting in total net assets of \$8,864,670.

	2008	2007	Change
Land	94,457	94,457	0.00%
Construction in Progress	360,826	0	100.00%
Buildings	4,613,260	5,375,278	-14.18%
Building Improvements	2,339,753	1,060,126	120.71%
Improvements other than buildings	601,977	687,435	-12.43%
Mobile equipment	548,873	462,244	18.74%
Furniture and equipment	305,524	317,942	-3.91%
Total	<u>8,864,670</u>	<u>7,997,482</u>	<u>10.84%</u>

Additional information of the District's capital assets can be found in Note 4 on page 28 of this report.

Debt Administration. At June 30, 2008, the District had \$2,980,718 in general obligation bonds and other long-term debt outstanding, of which \$372,324 is due within one year.

The District maintains a AA bond rating.

	Outstanding Debt		Percentage
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Limited obligation bonds payable	\$760,000	\$890,000	-14.61%
Three mill notes payable	\$818,000	\$1,042,000	-21.50%
Qualified zone academy bonds payable	\$1,250,000	\$1,250,000	0.00%
Other loans payable	\$41,876	\$56,200	-25.49%
Compensated absences payable	\$110,842	\$93,287	18.82%
Total	<u>\$2,980,718</u>	<u>\$3,331,487</u>	<u>-10.53%</u>

Additional information of the District's long-term debt can be found in Note 5 on pages 29-30 of 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 is now committed to financial excellence. The millage has increased only slightly over the last 10 years and is now only at 34.3 mills for Washington County and 22.27 mills for Issaquena County. In addition, the district system of financial planning, budgeting and internal financial controls are now well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will increase by 4 students. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

WESTERN LINE SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

WESTERN LINE SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2008

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,359,767
Investments	901,055
Due from other governments	351,122
Other receivables, net	16,976
Inventories	29,128
Restricted assets	595,337
Capital assets not being depreciated	
Land	94,457
Construction in progress	360,826
Capital assets net of accumulated depreciation	
Buildings	4,613,260
Building improvements	2,339,753
Improvements other than buildings	601,977
Mobile equipment	548,873
Furniture and equipment	305,524
Total Assets	\$ 16,118,055
Liabilities	
Accounts payable and accrued liabilities	\$ 151,776
Interest payable on long-term liabilities	15,706
Unearned revenue	18,179
Long-term liabilities, due within one year	
Capital related liabilities	358,000
Non-capital related liabilities	14,324
Long-term liabilities, due beyond one year	
Capital related liabilities	2,470,000
Non-capital related liabilities	138,394
Total Liabilities	\$ 3,166,379
Net Assets	
Investment in capital assets, net of related debt	\$ 6,036,670
Restricted net assets:	
Expendable:	
School based activities	315,419
Debt service	711,764
Forestry improvements	4,394
Unemployment benefits	42,638
Nonexpendable	
Sixteenth section	595,337
Unrestricted	5,245,454
Total Net Assets	\$ 12,951,676

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

WESTERN LINE SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Assets
				Governmental Activities
Governmental Activities:				
Instruction	\$ 9,718,100	131,635	1,444,636	(8,141,829)
Support services	4,988,188	32,503	708,001	(4,247,684)
Non-instructional	927,405	138,650	840,393	51,638
16th Section	19,615			(19,615)
Interest on long-term liabilities	73,685			(73,685)
Total governmental activities	\$ 15,726,993	302,788	2,993,030	(12,431,175)
Taxes:				
				4,187,750
General purpose levies				313,339
Debt service levies				75,740
Gaming				
Unrestricted grants and contributions:				
				8,559,841
State				249,230
Federal				150,010
Unrestricted investment earnings				196,460
Sixteenth section sources				12,803
Other				
Total General Revenues				13,745,173
Change in Net Assets				1,313,998
Net Assets - Beginning				10,804,059
Prior Period Adjustments (Note 8)				833,619
Net Assets - Beginning - Restated				11,637,678
Net Assets - Ending				\$ 12,951,676

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

WESTERN LINE SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	IDEA Fund	16th Section Interest Fund	Other Governmental Funds		
ASSETS							
Cash and cash equivalents (Note 2)	\$ 3,910,372	18,802	6,132	900,542	1,119,256		5,955,104
Investments (Note 2)	368,354				532,701		901,055
Due from other governments	147,278	108,368	54,465		41,011		351,122
Other receivables, net	16,095			881	0		16,976
Due from other funds (Note 3)	196,753				0		196,753
Inventories					29,128		29,128
Total Assets	\$ 4,638,852	127,170	60,597	901,423	1,722,096		7,450,138
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 142,103	2,723	6,132		818		151,776
Due to other funds (Note 3)		108,368	54,465		33,920		196,753
Unearned revenue		16,079			2,100		18,179
Total Liabilities	142,103	127,170	60,597	0	36,838		366,708
Fund Balances:							
Reserved for:							
Inventory					29,128		29,128
Debt service					727,470		727,470
Unemployment benefits					42,638		42,638
Forestry improvements					4,394		4,394
Permanent fund purposes					595,337		595,337
Unreserved:							
Undesignated, reported in:							
General fund	4,496,749						4,496,749
Special Revenue funds				901,423	286,291		1,187,714
Total Fund Balances	4,496,749	0	0	901,423	1,685,258		7,083,430
Total Liabilities and Fund Balances	\$ 4,638,852	127,170	60,597	901,423	1,722,096		7,450,138

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

WESTERN LINE SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,083,430
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 6,349,933. (Note 4)	8,864,670
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)	(2,980,718)
3. Interest accrued on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds.	(15,706)
Total Net Assets - Governmental Activities	\$ <u>12,951,676</u>

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

WESTERN LINE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	Major Funds			16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	IDEA Fund			
Revenues:						
Local sources	\$ 4,696,791				480,855	5,177,646
State sources	8,588,809				212,119	8,800,928
Federal sources	249,230	829,931	537,246		1,249,556	2,865,963
Sixteenth section sources				179,876	16,584	196,460
Total Revenues	13,534,830	829,931	537,246	179,876	1,959,114	17,040,997
Expenditures:						
Instruction	7,591,394	651,430	349,831		814,191	9,406,846
Support services	4,251,710	311,858	181,415		232,164	4,977,147
Non instructional services	125				904,594	904,719
16th Section				19,615	0	19,615
Facilities acquisition & construction	360,826				0	360,826
Debt service:						
Principal	73,324				295,000	368,324
Interest	15,428				62,259	77,687
Total Expenditures	12,292,807	963,288	531,246	19,615	2,308,208	16,115,164
Excess (Deficiency) of Revenues Over Expenditures	1,242,023	(133,357)	6,000	160,261	(349,094)	925,833
Other Financing Sources (Uses):						
Operating transfers in	71,829	136,357		16,585	577,455	802,226
Transfer from QZAB Transfer Agent					108,000	108,000
Transfer to QZAB Transfer Agent					(108,000)	(108,000)
Operating transfers out	(713,812)	(3,000)	(6,000)		(79,414)	(802,226)
Total Other Financing Sources (Uses)	(641,983)	133,357	(6,000)	16,585	498,041	0
Net Change in Fund Balances	600,040	0	0	176,846	148,947	925,833
Fund Balances:						
July 1, 2007	3,896,709	0	0	724,577	1,536,486	6,157,772
Decrease in reserve for inventory					(175)	(175)
June 30, 2008	\$ 4,496,749	0	0	901,423	1,685,258	7,083,430

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

WESTERN LINE SCHOOL DISTRICT

Exhibit D-1

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, 2008

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 925,833
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$ 502,834 and the depreciation expense amounted to \$469,259. See Note 4)	33,575
2. Increase in Compensated absences is not recorded in the governmental funds, but increases expense in the statement of activity.	(17,555)
3. Payment of interest on long-term liabilities is reported as an expenditure when paid in the governmental funds, but is accrued and expensed in the period incurred in the statement of activity.	4,002
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity.	368,324
5. Amounts received from disposition of assets is reported as revenue in the governmental funds, but are reduced by the net value of the assets in the in the statement of activity.	(6)
6. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but non instructional expenditures are decreased in the statement of activity.	<u>(175)</u>
Change in Net Assets of Governmental Activities	\$ <u>1,313,998</u>

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

WESTERN LINE SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

		<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$	<u>770,178</u>
Total Assets	\$	<u>770,178</u>
Liabilities		
Accounts payable and accrued liabilities		743,532
Due to student clubs		26,646
Total Liabilities	\$	<u>770,178</u>

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

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

(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.

For financial reporting purposes, the entity includes all funds that are covered by the oversight responsibility of the school district's governing board. 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 (5) member board of which each member was elected by the citizens of each defined district.

B. Basis of Presentation.

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other non exchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Title I Fund - This fund provides for additional instruction in reading and mathematics for children who are educationally disadvantaged.

IDEA Fund - This fund accounts for federal funds to provide instruction to special education children living in the school district.

16th Section Interest Fund - This fund collects lease payments on sixteenth section leases and distributes to the district or shared districts for operating purposes.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit C.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

FIDUCIARY FUNDS

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

D. Account Classifications.

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents.

The school district deposits excess funds in financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are valued at cost.

G. 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 are reported at fair value.

H. 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 cost 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 cost of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

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.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	\$50,000	40 years
Buildings	\$25,000	20 years
Improvements other than buildings	\$25,000	20 years
Mobile equipment	\$ 5,000	5-10 years
Furniture and equipment	\$ 5,000	3-7 years
Leased property under capital leases	\$ *	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed.
See Note 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved, undesignated -An account that represents the portion of fund balance that is expendable available financial resources.

M. Property Taxes

Ad valorem property taxes are levied by the governing authorities 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.

N. Mississippi Adequate Education Program Revenues.

Revenues from the 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.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum as required by state law or at a greater amount provided by school district policy. 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 to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities 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 only the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires..

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

P. Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(2) Cash and Cash Equivalents, and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for school district deposits in financial institutions are 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 a 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 surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and 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, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (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 interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. 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. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,955,104 and \$770,178, respectively. The carrying amount of deposits reported in the governmentwide statements was: Cash and cash equivalents \$5,359,767 and Restricted Assets \$595,337. The Restricted assets of \$595,337 represents the cash balance of the 16th Section Principal Fund (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$7,037,338.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$7,037,338 was exposed to custodial credit risk.

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

Investments.

As of June 30, 2008, the district had the following investments, which are all in an internal investment pool.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Performance Treasury Fund	Various	57,927	AA
Federal Home Loan Mortgage Discount Notes	07/01/2008	193,000	AAA
Federal Home Loan Mortgage Discount Notes	07/15/2008	281,774	AAA
Certificate of Deposit - Planters Bank	06/29/2009	<u>368,354</u>	N/A
Total Investments		<u>901,055</u>	

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2008, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the district did not have any investments requiring disclosure.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

<u>Due From/To Other Funds:</u>	<u>Due From</u>	<u>Due to</u>
Governmental Funds		
General Fund	196,753	
Title I		108,368
IDEA Fund		54,465
Other Governmental Funds		<u>33,920</u>
Total	<u>\$196,753</u>	<u>\$196,753</u>

Interfund loans are necessary to provide cash to reimbursable programs at year end, since the cash is not received until after June 30.

B. Transfers In/Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	71,829	713,812
Title I Fund	136,357	3,000
IDEA Fund		6,000
Sixteenth Section Interest Fund	16,585	
Other Governmental Funds	<u>577,455</u>	<u>79,414</u>
Total	<u>802,226</u>	<u>802,226</u>

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

Transfers were made from federal funds for indirect costs. Also, transfers were made from General Fund to other governmental funds to offset program cost which were not reimbursed by state or federal funds.

4) Capital Assets.

The following is a summary of changes in capital assets:

	Balance 07/01/2007	Additions	Deletions	Adjustments	Balance 06/30/2008
Non-depreciable Capital Assets					
Land	94,457				94,457
Construction in Progress		360,826			360,826
Total Non-depreciable Capital Assets	94,457	360,826	0	0	455,283
Depreciable Capital Assets					
Buildings	10,140,967			(1,807,761)	8,333,206
Building Improvements	1,229,058			1,977,506	3,206,564
Improvements other than buildings	1,031,392			(176,904)	854,488
Mobile equipment	1,592,298	63,200		13,555	1,669,053
Furniture and equipment	630,027	78,808	6,430	(6,396)	696,009
Leased property under capital lease					0
Total Depreciable Capital Assets	14,623,742	142,008	6,430	0	14,759,320
Less accumulated depreciation for:					
Buildings	4,765,689	145,834		(1,191,577)	3,719,946
Building Improvements	168,932	128,262		569,617	866,811
Improvements other than buildings	343,957	34,180		(125,626)	252,511
Mobile equipment	1,130,054	79,269		(89,143)	1,120,180
Furniture and equipment	312,085	81,714	6,424	3,110	390,485
Leased property under capital lease					0
Total accumulated depreciation	6,720,717	469,259	6,424	(833,619)	6,349,933
Net depreciable assets	7,903,025	(327,251)	6	833,619	8,409,387
Governmental activities capital assets net	7,997,482	33,575	6	833,619	8,864,670

Depreciation was charged to the following functions:

	Amount
Instruction	293,699
Support services	153,049
Non-instructional	22,511
Total depreciation expense	469,259

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

The adjustments listed above are to correct misclassification of assets and to remove depreciation on assets which were over depreciated because the useful lives and salvage values were incorrect. (See Note 8)

Commitments under construction contracts at June 30, 2008, are summarized as follows:

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ending June 30, 2008

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
O'Bannon High School Toilet Renovation Project	<u>\$ 89,174</u>	None

(5) Long-term Liabilities.

The following is a summary of changes in long-term liabilities:

	Balance <u>07/01/2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/2008</u>	Due within <u>one year</u>
A. Limited obligation bonds payable	\$890,000		\$130,000	\$760,000	\$140,000
B. Three mill notes payable	1,042,000		224,000	818,000	218,000
C. Qualified zone academy bonds payat	1,250,000		0	1,250,000	0
D. Other loans payable	56,200		14,324	41,876	14,324
E. Compensated absences payable	93,287	17,555		110,842	0
Total	<u>\$3,331,487</u>	<u>\$17,555</u>	<u>\$368,324</u>	<u>\$2,980,718</u>	<u>\$372,324</u>

A. Limited obligation bonds payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement Bonds, Series 1998	4.790%	4/1/98	4/1/18	\$2,710,000	\$ 760,000

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

Year Ending June 30,	Principal	Interest	Total
2009	140,000	31,050	171,050
2010	145,000	24,638	169,638
2011	150,000	18,000	168,000
2012	160,000	11,025	171,025
2013	165,000	3,712	168,712
Total	<u>760,000</u>	<u>88,425</u>	<u>848,425</u>

The State aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7 Miss. Code Ann. (1972). The State aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Debt Service Fund.

B. Three mill-ten year notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Trustmark National Bank	5.10%	6/30/96	6/30/11	750,000	273,000
Handcock Bank	3.54%	12/23/02	12/23/11	1,310,000	545,000
Total				<u>\$2,060,000</u>	<u>\$ 818,000</u>

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

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

Year Ending June 30,	Principal	Interest	Total
2009	218,000	31,610	249,610
2010	231,000	22,833	253,833
2011	236,000	11,739	247,739
2012	<u>133,000</u>	<u>5,661</u>	<u>138,661</u>
Total	<u>818,000</u>	<u>71,843</u>	<u>889,843</u>

This debt will be retired from the 3 Mill Debt Service Fund.

C. Qualified zone academy bonds payable.

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Trustmark National Bank	0.00%	1/27/04	1/27/14	250,000	250,000
Trustmark National Bank	0.00%	12/1/05	12/1/15	<u>1,000,000</u>	<u>1,000,000</u>
Total				<u>1,250,000</u>	<u>1,250,000</u>

This debt will be retired from the QZAB Debt Service Fund.

D. Other loans payable.

<u>Description</u>	<u>Rate</u>	<u>Date</u>	<u>Date</u>	<u>Issued</u>	<u>Outstanding</u>
U. S. Environmental Protection Agency Asbestos abatement loan	0.00%	4/16/93	5/30/13	<u>257,828</u>	<u>41,876</u>

Asbestos abatement loan from U. S. Environmental Protection Agency

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	14,324	0	14,324
2010	14,324	0	14,324
2011	<u>13,228</u>	<u>0</u>	<u>13,228</u>
Total	<u>\$ 41,876</u>	<u>\$ 0</u>	<u>\$ 41,876</u>

This debt will be retired from the District Maintenance Fund.

E. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972).

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary the school district is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$1,022,457, \$932,032 and \$853,813, respectively, which equaled the required contribution for each year.

(7) Sixteenth Section Funds.

Sixteenth section lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30,

2009	118,117
2010	91,004
2011	60,603
2012	<u>2,003</u>

Total	<u><u>271,727</u></u>
-------	-----------------------

(8) Prior Period Adjustments / Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Several capital assets had useful lives and salvage values recorded in the depreciation module that were different from those established By the school district. Correction of the useful lives and salvage values resulted in a reduction of depreciation expense recorded in the previous years.	<u>\$833,619</u>

(9) Risk Management.

The school district is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions: injuries to employees: and natural disasters. 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 years.

WESTERN LINE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending June 30, 2008

Participation in Public Entity Risk Pool.

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 consist of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the school district's 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 Bancorp South Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation 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.

(10) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with NEF CyberLearning, has entered into two such arrangements. The first dated January 27, 2004, and the second dated December 1, 2005. Under the first agreement NEF CyberLearning was to provide the school district with instructional courses for the approved academy at cost of \$7,300 to the school with a retail value of \$131,400 and a contribution value of \$25,550. The software for the above courses was provided on January 27, 2004 which fulfilled the share cost requirements of the Qualified Zone Academy Bond. Under the second agreement NEF CyberLearning was to provide the school district with instructional courses for the approved academy at cost of \$28,800 to the school with a retail value of \$280,800 and a contribution value of \$115,200. The software for the above courses was provided on December 9, 2005 which fulfilled the share cost requirements of the Qualified Zone Academy Bond.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before January 27, of each year. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt.

The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30,

2009	115,707
2010	115,707
2011	115,707
2012	<u>115,707</u>
Total	<u>462,828</u>

- (11) During the current fiscal year, the Western Line School District did not recognize any assets as qualifying as impaired.

WESTERN LINE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

WESTERN LINE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2008

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,622,124	4,696,791	4,696,791	74,667	0
State sources	8,493,468	8,588,809	8,588,809	95,341	0
Federal sources	88,874	249,230	249,230	160,356	0
Total Revenues	13,204,466	13,534,830	13,534,830	330,364	0
Expenditures:					
Instruction	7,967,147	7,591,395	7,591,394	375,752	1
Support services	4,549,233	4,561,215	4,251,710	(11,982)	309,505
Noninstructional services	1,245	125	125	1,120	0
Facilities acquisition & construction	725,000	33,368	360,826	691,632	(327,458)
Debt service:					
Principal	73,324	73,324	73,324	0	0
Interest	15,428	15,428	15,428	0	0
Total Expenditures	13,331,377	12,274,855	12,292,807	1,056,522	(17,952)
Excess (Deficiency) of Revenues Over Expenditures	(126,911)	1,259,975	1,242,023	1,386,886	(17,952)
Other Financing Sources (Uses):					
Sale of transportation equipment	2,000		0	(2,000)	0
Sale of other property	1,000		0	(1,000)	0
Operating transfers in	253,600	71,829	71,829	(181,771)	0
Operating transfers out	(632,250)	(731,545)	(713,812)	(99,295)	17,733
Total Other Financing Sources (Uses)	(375,650)	(659,716)	(641,983)	(284,066)	17,733
Net Change in Fund Balances	(502,561)	600,259	600,040	1,102,820	(219)
Fund Balances:					
July 1, 2007	0	3,896,709	3,896,709	3,896,709	0
June 30, 2008	(502,561)	4,496,968	4,496,749	4,999,529	(219)

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

WESTERN LINE SCHOOL DISTRICT

Schedule 2

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 749,270	846,011	829,931	96,741	(16,080)
Total Revenues	<u>749,270</u>	<u>846,011</u>	<u>829,931</u>	<u>96,741</u>	<u>(16,080)</u>
Expenditures:					
Instruction	489,610	668,930	651,430	(179,320)	17,500
Support services	256,660	311,859	311,858	(55,199)	1
Total Expenditures	<u>746,270</u>	<u>980,789</u>	<u>963,288</u>	<u>(234,519)</u>	<u>17,501</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,000</u>	<u>(134,778)</u>	<u>(133,357)</u>	<u>(137,778)</u>	<u>1,421</u>
Other Financing Sources (Uses):					
Operating transfers in		136,357	136,357	136,357	0
Operating transfers out	(3,000)	(3,000)	(3,000)	0	0
Total Other Financing Sources (Uses)	<u>(3,000)</u>	<u>133,357</u>	<u>133,357</u>	<u>136,357</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>(1,421)</u>	<u>0</u>	<u>(1,421)</u>	<u>1,421</u>
Fund Balances:					
July 1, 2007	0	0	0	0	0
June 30, 2008	<u>0</u>	<u>(1,421)</u>	<u>0</u>	<u>(1,421)</u>	<u>1,421</u>

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

WESTERN LINE SCHOOL DISTRICT

Schedule 3

Budgetary Comparison Schedule

IDEA Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 683,565	537,246	537,246	(146,319)	0
Total Revenues	683,565	537,246	537,246	(146,319)	0
Expenditures:					
Instruction	440,601	349,831	349,831	90,770	0
Support services	236,964	181,415	181,415	55,549	0
Total Expenditures	677,565	531,246	531,246	146,319	0
Excess (Deficiency) of Revenues Over Expenditures	6,000	6,000	6,000	0	0
Other Financing Sources (Uses):					
Operating transfers out	(6,000)	(6,000)	(6,000)	0	0
Total Other Financing Sources (Uses)	(6,000)	(6,000)	(6,000)	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2007	0	0	0	0	0
June 30, 2008	0	0	0	0	0

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

WESTERN LINE SCHOOL DISTRICT

Schedule 4

Budgetary Comparison Schedule

16th Section Interest Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
16 th Section Sources	\$ 177,057	179,876	179,876	2,819	0
Total Revenues	<u>177,057</u>	<u>179,876</u>	<u>179,876</u>	<u>2,819</u>	<u>0</u>
Expenditures:					
16 th Section Expenditures	20,000	19,615	19,615	385	0
Total Expenditures	<u>20,000</u>	<u>19,615</u>	<u>19,615</u>	<u>385</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>157,057</u>	<u>160,261</u>	<u>160,261</u>	<u>3,204</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers in	3,000	16,585	16,585	13,585	0
Operating transfers out	(200,000)		0	200,000	0
Total Other Financing Sources (Uses)	<u>(197,000)</u>	<u>16,585</u>	<u>16,585</u>	<u>213,585</u>	<u>0</u>
Net Change in Fund Balances	<u>(39,943)</u>	<u>176,846</u>	<u>176,846</u>	<u>216,789</u>	<u>0</u>
Fund Balances:					
July 1, 2007	0	724,578	724,577	724,578	(1)
June 30, 2008	<u>(39,943)</u>	<u>901,424</u>	<u>901,423</u>	<u>941,367</u>	<u>(1)</u>

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

WESTERN LINE SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ending June 30, 2008

Notes to the Required Supplementary Information

(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.

WESTERN LINE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

WESTERN LINE SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

Schedule 5

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Catalog of Federal Domestic <u>Assistance Numbe</u>	Federal <u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	278,333
National School Lunch Program	10.555	<u>653,951</u>
Total Nutrition Cluster		<u>932,284</u>
Child and adult care food program	10.558	<u>6,861</u>
Total Passed through Mississippi Department of Education		<u>939,145</u>
Total U.S. Department of Agriculture		<u>939,145</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	<u>127,334</u>
Total Federal Communication Commission		<u>127,334</u>
<u>U.S. Department of Education</u>		
Passed through Mississippi Department of Education		
Special Education Cluster		
Special education grants to states	84.027	556,950
Special education - preschool grants	84.173	<u>19,140</u>
Total Special Education Cluster		576,090
Title I grants to local educational agencies	84.010	835,120
Safe and drug free schools		
and communities- state grants	84.186	8,773
Foreign Language Assistance	84.293	22,935
State grants for innovative programs	84.298	4,838
Education technology state grants	84.318	8,444
Rural education	84.358	45,125
Improving teacher quality - state grants	84.367	<u>162,170</u>
Total Passed through Mississippi Department of Education		<u>1,663,495</u>
Total U.S. Department of Education		<u>1,663,495</u>

<u>U.S. Department of Health and Human Services</u>		
Passed through the Mississippi Department of Health and Human Services		
Medical assistance program	93.778	<u>31,691</u>
Total Passed through the Mississippi Department of Health and Human Services		<u>31,691</u>
Passed through the Mississippi Department of Education:		
Cooperative agreements to support comprehensive school health programs to prevent the spread of HIV and other important health problems	93.938	<u>90,206</u>
Total Passed through the Mississippi Department of Education:		<u>90,206</u>
<u>U.S. Department of Health and Human Services</u>		
Total for All Federal Awards		<u>2,851,871</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the significant accounting policies, as applicable, used for the general purpose financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The balance outstanding at June 30, 2008 of the loan received in a previous year under former CFDA #66.702 for asbestos removal was \$41,876.

WESTERN LINE SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds
For the Year Ended June 30, 2008

Functions/Programs	Total	Instructional and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 11,659,843	\$ 8,997,333	\$ 594,547	724,022	\$ 1,343,941
Other expenditures	4,455,321	1,549,096	145,438	109,108	2,651,679
Total	\$ <u>16,115,164</u>	\$ <u>10,546,429</u>	\$ <u>739,985</u>	833,130	\$ <u>3,995,620</u>
Total number of students:	1,930				
Cost per student:	\$ <u>8,350</u>	\$ <u>5,464</u>	\$ <u>383</u>	<u>432</u>	\$ <u>2,070</u>

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

Instruction - 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 - all the 1000, 2100, & 2200 functional codes

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services -Business (2500s)

School Administration - includes expenditures for the following functions; Support Services - School Administration (2400s)

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

include 100 and 200 range object codes on the "Salary and fringe benefits" line; all other expenditures on the "Other" line.

WESTERN LINE SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

WESTERN LINE SCHOOL DISTRICT

Schedule 7

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

"UNAUDITED"

Last Four years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 4,696,791	4,476,930	4,538,888	4,194,406
State sources	8,588,809	8,057,437	7,925,796	7,371,943
Federal sources	249,230	282,171	289,488	66,458
Total Revenues	13,534,830	12,816,538	12,754,172	11,632,807
Expenditures:				
Instruction	7,591,394	7,399,876	6,915,347	6,614,927
Support services	4,251,710	4,044,822	4,058,836	3,512,674
Non instructional services	125	3,351	3,511	2,901
Facilities acquisition & construction	360,826	145,337	120,098	
Debt service:				
Principal	73,324	99,794	81,236	84,105
Interest	15,428	21,613	27,475	26,533
Total Expenditures	12,292,807	11,714,793	11,206,503	10,241,140
Excess (Deficiency) of Revenues Over Expenditures	1,242,023	1,101,745	1,547,669	1,391,667
Other Financing Sources (Uses):				
Insurance loss recovery			683,266	
Sale of transportation equipment		9,221	2,116	
Sale of other property		717		
Operating transfers in	71,829	72,192	41,506	52,019
Operating transfers out	(713,812)	(586,017)	(571,059)	(564,973)
Total Other Financing Sources (Uses)	(641,983)	(503,887)	155,829	(512,954)
Net Change in Fund Balances	600,040	597,858	1,703,498	878,713
Fund Balances:				
Beginning of year	3,896,709	3,298,851	1,595,353	716,640
End of year	\$ 4,496,749	3,896,709	3,298,851	1,595,353

* SOURCE - PRIOR YEAR AUDIT REPORTS

WESTERN LINE SCHOOL DISTRICT

Schedule 8

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

"UNAUDITED"

Last Four years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 5,177,646	4,936,395	5,041,993	4,584,783
State sources	8,800,928	8,250,777	8,126,371	7,559,829
Federal sources	2,865,963	2,645,048	3,009,555	2,497,239
Sixteenth section sources	196,460	197,937	195,440	189,300
Total Revenues	<u>17,040,997</u>	<u>16,030,157</u>	<u>16,373,359</u>	<u>14,831,151</u>
Expenditures:				
Instruction	9,406,846	8,832,452	8,887,538	8,054,438
Support services	4,977,147	4,747,855	4,918,615	4,254,963
Non instructional services	904,719	950,053	1,095,328	933,235
16th Section	19,615	19,271	26,127	26,119
Facilities acquisition & construction	360,826	899,967	120,098	
Debt service:				
Principal	368,324	388,794	359,237	344,405
Interest	77,687	95,351	112,365	122,141
Total Expenditures	<u>16,115,164</u>	<u>15,933,743</u>	<u>15,519,308</u>	<u>13,735,301</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>925,833</u>	<u>96,414</u>	<u>854,051</u>	<u>1,095,850</u>
Other Financing Sources (Uses):				
Proceeds of loans			1,000,000	
Insurance loss recovery			683,266	
Sale of transportation equipment		9,221	2,116	
Sale of other property		717		
Operating transfers in	802,226	670,178	626,041	630,356
Transfer from QZAB Transfer Agent	108,000	115,000	98,801	
Transfer to QZAB Transfer Agent	(108,000)	(115,000)	(98,801)	
Operating transfers out	(802,226)	(670,178)	(626,041)	(630,356)
Total Other Financing Sources (Uses)	<u>0</u>	<u>9,938</u>	<u>1,685,382</u>	<u>0</u>
Net Change in Fund Balances	<u>925,833</u>	<u>106,352</u>	<u>2,539,433</u>	<u>1,095,850</u>
Fund Balances:				
Beginning of year	<u>6,157,772</u>	<u>6,050,145</u>	<u>3,505,915</u>	<u>2,401,900</u>
Decrease in reserve for inventory	<u>(175)</u>	<u>1,275</u>	<u>4,797</u>	<u>8,165</u>
End of year	<u>\$ 7,083,430</u>	<u>6,157,772</u>	<u>6,050,145</u>	<u>3,505,915</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

WESTERN LINE SCHOOL DISTRICT

(This page left blank intentionally)

WESTERN LINE SCHOOL DISTRICT

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

WESTERN LINE SCHOOL DISTRICT

(This page left blank intentionally)

Robert Britt, CPA, P. A.

P O BOX 1477
967 SUNFLOWER AVENUE
SUITE B

TELEPHONE 662-624-6004
FAX 662-627-5964
CLARKSDALE MISSISSIPPI 38614

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

Superintendent and School Board
Western Line School District

I 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, 2008, which collectively comprise the Western Line School District's basic financial statements as listed in the table of contents and have issued my report thereon dated November 3, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose describe in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to the school district in a separate letter dated November 3, 2008, which is included in this report.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Robert B. Smith".

November 3, 2008

WESTERN LINE SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

WESTERN LINE SCHOOL DISTRICT

(This page intentionally left blank)

Robert Britt, CPA, P. A.

P. O. BOX 1477
947 SUNFLOWER AVENUE
SUITE B

TELEPHONE 662-624-6084
FAX 662-627-3984
CLARKSDALE MISSISSIPPI 38614

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Western Line School District

Compliance

I have audited the compliance of the Western Line School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the school district's compliance with those requirements.

As described in Finding 2008-1 in the accompanying Schedule of Findings and Questioned Costs, the school district did not comply with the requirements regarding Period and Availability of Funds that are applicable to its Title I Program. Compliance with such requirement is necessary, in my opinion, for the school district to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, the Western Line School District, complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Western Line School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district' internal control over compliance

A *control deficiency* in an entity' internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity' internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

The Western Line School District's response to the finding identified in my audit is described in the accompanying Auditee's Corrective Action Plan. I did not audit Western Line School District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to be 'Robert M.', is written over a horizontal line.

November 3, 2008

WESTERN LINE SCHOOL DISTRICT

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

WESTERN LINE SCHOOL DISTRICT

(This page intentionally left blank)

Robert Britt, CPA, P. A.

P O BOX 1477
947 SUNFLOWER AVENUE
SUITE B

TELEPHONE 662-624-6084
FAX 662-627-3984
CLARKSDALE MISSISSIPPI 38614

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

Superintendent and School Board
Western Line School District

I 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, 2008, which collectively comprise the basic financial statements of the Western Line School District, and have issued my report thereon dated November 3, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$4,280 of classroom supply funds carried over from previous years.

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

The results of my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed the following instance of noncompliance related to incorrect or in appropriate functional level expenditure coding. The noncompliance is reported in finding number 1 below.

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

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instance

of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding 1.

The district reported expenditures of \$360,826 for the renovations of bathrooms as repairs under operation and maintenance of plant. These should have been reported as facilities acquisition and construction.

Recommendation.

The school district should report expenditures of \$25,000 or more for renovations or repairs in facilities acquisition and construction if they meet the criteria for capitalization. All other expenditures should be reported as repairs under operation and maintenance of plant.

Response.

We originally had reported this correctly but moved it to repairs and maintenance because it did not add square feet to the building. We realize this was a mistake and in the future such expenditures will be correctly posted.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to insure that corrective action has been taken.

The Western Line School District's response to the finding included in this report was not audited and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



November 3, 2008

WESTERN LINE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WESTERN LINE SCHOOL DISTRICT

(This page intentionally left blank)

WESTERN LINE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section I: Summary of Auditor's results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued on the general purpose financial statements: | Unqualified |
| 2. Material noncompliance relating to the general purpose financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |

Federal Awards:

- | | |
|---|---------------|
| 4. Type of auditor's opinion issues on compliance for major programs: | Qualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. The major programs were: | |
| Child Nutrition Cluster | |
| School Breakfast Program | - CFDA 10.553 |
| National School Lunch Program | - CFDA 10.555 |
| Special Education Cluster | |
| Special Education Grants to States | - CFDA 84.027 |
| Special Education - Preschool Grants | - CFDA 84.173 |
| Title 1 Grants to Local Educational Agencies | - CFDA 84.010 |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000. |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | No |

Section 2: Findings Related to the Financial Statements

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

Section 3: Findings and Questioned Cost for Federal Awards

Significant Deficiency not Considered to be a Material Weakness

Finding 2008-1

Program: Title I Grants to Local Educational Agencies - CFDA 84.010
U. S. Department of Education

Compliance requirement: Period of Availability

The district expended funds on its Title I Carryover Project before final approval was received from the state. The final approved carryover was limited to 15% of the original project amount. This resulted in funds being drawn down which were not allowable. These funds were repaid in January of 2008.

Recommendation

The district should implement procedures to insure carryover funds are limited to 15% of the project unless a waiver is received from the State Department of Education to carryover a larger amount.

WESTERN LINE SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

WESTERN LINE SCHOOL DISTRICT

(This page left blank intentionally)

