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WESTERN LINE SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

For The Year Ended June 30, 2011

CUNNINGHAM CPAs, PLLC
Certified Public Accountants

WESTERN LINE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Western Line School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Line School District as of and for the year ended June 30, 2011, 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, 2011, 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*, we have also issued our report dated December 19, 2011, on our consideration of the Western Line School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Line School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Line School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, 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, we do not express an opinion or provide any assurance on it.

Cunningham CPAs, PLLC

December 19, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Western Line School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased $2,228,194, which represents a 15% increase from fiscal year 2010. Total net assets for 2010 increased $1,154,161, including a prior period adjustment of ($77,000), which represents an 8% increase from fiscal year 2009.

- General revenues amounted to $13,863,986 and $13,890,082, or 76% and 77% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,428,257, or 24% of total revenues for 2011, and $4,098,871, or 23% of total revenues for 2010.

- The District had $16,064,049 and $16,757,792 in expenses for fiscal years 2011 and 2010; only $4,428,257 for 2011 and $4,098,871 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $13,863,986 for 2011 and $13,890,082 for 2010 were adequate to provide for these programs.

- Among major funds, the General Fund had $13,163,691 in revenues and $10,766,814 in expenditures for 2011, and $13,062,340 in revenues and $12,053,331 in expenditures in 2010. The General Fund's fund balance increased by $1,879,678, from 2010 to 2011, and increased by $507,558, from 2009 to 2010.

- Capital assets, net of accumulated depreciation, increased by $173,065 for 2011 and increased by $428,209 for 2010. The increase for 2011 was due to capital asset additions, net of current year depreciation.

- Long-term debt decreased by $399,228 for 2011 and increased by $1,109,676 for 2010. This decrease for 2011 was due to the repayment of debt as required by the amortization schedules. The liability for compensated absences decreased by $4,004 for 2011 and increased by $12,033 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the District's net 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 periods.

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $17,536,933 as of June 30, 2011.

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.

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	$ 9,555,944	$ 7,655,978	24.82 %
Restricted assets	1,980,545	2,425,897	(18.36) %
Capital assets, net	9,357,519	9,184,454	1.88 %
Total assets	**20,894,008**	**19,266,329**	**8.45 %**
Current liabilities	20,648	217,931	-90.53 %
Long-term debt outstanding	3,336,427	3,739,659	-10.78 %
Total liabilities	**3,357,075**	**3,957,590**	**-15.17 %**
Net assets:			
Invested in capital assets, net of related debt	6,235,659	6,615,502	-5.74 %
Restricted	2,467,613	3,304,165	-25.32 %
Unrestricted	8,833,661	5,389,072	63.92 %
Total net assets	**$ 17,536,933**	**$ 15,308,739**	**14.56 %**

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

- Increase in net capital assets in the amount of $173,065.
- The principal retirement of $399,228 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were $18,292,243 and $17,988,953, respectively. The total cost of all programs and services was $16,064,049 for 2011 and $16,757,792 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 416,909	$ 411,119	1.41 %
Operating grants and contributions	4,011,348	3,687,752	8.77 %
General revenues:			
Property taxes	5,344,019	5,191,598	2.94 %
Grants and contributions not restricted	7,973,180	8,305,554	(4.00) %
Investment earnings	125,096	93,905	33.22 %
Sixteenth section sources	236,222	234,268	0.83 %
Other	185,469	64,757	186.41 %
Total revenues	**18,292,243**	**17,988,953**	**1.69 %**
Expenses:			
Instruction	9,642,772	10,213,396	(5.59) %
Support services	5,211,899	5,370,258	(2.95) %
Non-instructional	1,137,761	1,093,381	4.06 %
Sixteenth section	18,852	23,707	(20.48) %
Interest and other expenses on long-term liabilities	52,765	57,050	(7.51) %
Total expenses	**16,064,049**	**16,757,792**	**(4.14) %**
Increase (Decrease) in net assets	**2,228,194**	**1,231,161**	**80.98 %**
Net Assets, July 1, as originally reported	**15,308,739**	**14,154,578**	**8.15 %**
Prior period adjustment	-	**(77,000)**	**(100.00) %**
Net Assets, July 1, as restated	**15,308,739**	**14,077,578**	**8.75 %**
Net Assets, June 30,	**$ 17,536,933**	**$ 15,308,739**	**14.56 %**

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 functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2011	2010	Change
Instruction	$ 9,642,772	$ 10,213,396	(5.59) %
Support services	5,211,899	5,370,258	(2.95) %
Non-instructional	1,137,761	1,093,381	4.06 %
Sixteenth section	18,852	23,707	(20.48) %
Interest on long-term liabilities	52,765	57,050	(7.51) %
Total expenses	**$ 16,064,049**	**$ 16,757,792**	**(4.14) %**

	Net (Expense) Revenue		Percentage
	2011	2010	Change
Instruction	$ (7,355,549)	$ (8,195,298)	(10.25) %
Support services	(3,922,230)	(4,592,854)	(14.60) %
Non-instructional	(286,396)	209,988	(236.39) %
Sixteenth section	(18,852)	(23,707)	(20.48) %
Interest on long-term liabilities	(52,765)	(57,050)	(7.51) %
Total net (expense) revenue	**$ (11,635,792)**	**$ (12,658,921)**	**(8.08) %**

- Net cost of governmental activities ($11,635,792 for 2011 and $12,658,921 for 2010) was financed by general revenue, which is primarily made up of property taxes ($5,344,019 for 2011 and $5,191,598 for 2010) and state and federal revenues ($7,973,180 for 2011 and $8,305,554 for 2010). In addition, there was $236,222 and $234,268 in Sixteenth Section sources for 2011 and 2010, respectively.

- Investment earnings amounted to $125,096 for 2011 and $93,905 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $11,534,941, an increase of $1,651,554, which includes a decrease in inventory of $2,552. $7,356,330 or 64% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $4,178,611 or 36% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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 $1,879,678. The fund balance of Other Governmental Funds showed a decrease in the amount of $462,967, which includes a decrease in reserve for inventory of $2,552, due primarily to normal operations.

Major Fund	Increase (Decrease)
Title I Fund	No increase/(decrease)
ARRA – Title I Fund	No increase/(decrease)
IDEA Part B Fund	No increase/(decrease)
Twenty First Century Fund	No increase/(decrease)
16th Section Interest Fund	$234,843

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were $16,848,318, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of $616,493 from 2010. Total accumulated depreciation as of June 30, 2011, was $7,490,799, and total depreciation expense for the year was $550,408, resulting in total net capital assets of $9,357,519.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	$ 145,940	$ 94,457	54.50 %
Construction in progress	-	608,949	(100.00) %
Buildings	4,981,015	4,444,576	12.07 %
Building improvements	2,819,660	2,384,739	18.24 %
Improvements other than buildings	537,571	615,208	(12.62) %
Mobile equipment	628,275	746,029	(15.78) %
Furniture and equipment	245,058	290,496	(15.64) %
Total	**$ 9,357,519**	**$ 9,184,454**	**1.88 %**

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

Debt Administration. At June 30, 2011, the District had $3,336,427 in outstanding long-term debt, of which $293,000 is due within one year. The liability for compensated absences decreased $4,004 from the prior year.

The District maintains an A+ bond rating.

Table 5
Outstanding Long-Term Debt

	June 30, 2011	June 30, 2010	Percentage Change
Limited obligation bonds payable	$ 325,000	$ 475,000	(31.58) %
Three mill notes payable	133,000	369,000	(63.96) %
Qualified zone academy bonds	1,250,000	1,250,000	0.00 %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Other loans payable	-	13,228	(100.00) %
Compensated absences payable	128,427	132,431	(3.02) %
Total	**$ 3,336,427**	**$ 3,739,659**	**(10.78) %**

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

CURRENT ISSUES

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

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

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

Enrollment for 2010-2011 year increased by 3% to 1,979 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

Statement of Net Assets **Exhibit A**
June 30, 2011

	Governmental Activities
Assets	
Cash and cash equivalents	$ 8,627,360
Investments	393,068
Due from other governments	507,712
Inventories	27,804
Restricted assets	1,980,545
Capital assets, non-depreciable:	
Land	145,940
Capital assets, net of accumulated depreciation:	
Buildings	4,981,015
Building improvements	2,819,660
Improvements other than buildings	537,571
Mobile equipment	628,275
Furniture and equipment	245,058
Total Assets	20,894,008
Liabilities	
Accounts payable and accrued liabilities	1,548
Interest payable on long-term liabilities	19,100
Long-term liabilities, due within one year:	
Capital related liabilities	293,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,915,000
Non-capital related liabilities	128,427
Total Liabilities	3,357,075
Net Assets	
Invested in capital assets, net of related debt	6,235,659
Restricted for:	
Expendable:	
School-based activities	540,123
Debt service	1,283,676
Forestry improvements	4,394
Unemployment benefits	44,083
Non-expendable:	
Sixteenth section	595,337
Unrestricted	8,833,661
Total Net Assets	$ 17,536,933

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

Statement of Activities **Exhibit B**
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 9,642,772	146,162	2,141,061	-	(7,355,549)
Support services	5,211,899	-	1,289,669	-	(3,922,230)
Non-instructional	1,137,761	270,747	580,618	-	(286,396)
Sixteenth section	18,852	-	-	-	(18,852)
Interest on long-term liabilities	52,765	-	-	-	(52,765)
Total Governmental Activities	$ 16,064,049	416,909	4,011,348	-	(11,635,792)
General Revenues:					
Taxes:					
General purpose levies					5,238,494
Debt purpose levies					105,525
Unrestricted grants and contributions:					
State					7,342,551
Federal					630,629
Unrestricted investment earnings					125,096
Sixteenth section sources					236,222
Other					185,469
Total General Revenues					13,863,986
Change in Net Assets					2,228,194
Net Assets - Beginning					15,308,739
Net Assets - Ending					$ 17,536,933

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

WESTERN LINE SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2011

Exhibit C

	Major Funds							
	General Fund	Title I Fund	ARRA - Title I Fund	IDEA Part B Fund	Twenty First Century Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	$ 6,527,064	$ -	$ -	$ -	$ -	$ 1,605,758	$ 1,437,849	$ 9,570,671
Cash with fiscal agents	-	-	-	-	-	-	67,295	67,295
Investments	393,068	-	-	-	-	-	969,939	1,363,007
Due from other governments	170,006	97,284	43,944	74,862	75,944	-	45,472	507,512
Due from other funds	324,271	-	-	-	-	-	-	324,271
Inventories	-	-	-	-	-	-	27,804	27,804
Total assets	$ 7,414,409	$ 97,284	$ 43,944	$ 74,862	$ 75,944	$ 1,605,758	$ 2,548,359	$ 11,860,560
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,548	$ 1,548
Due to other funds	-	97,284	43,944	74,862	75,944	-	32,037	324,071
Total Liabilities	-	97,284	43,944	74,862	75,944	-	33,585	325,619
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	27,804	27,804
Permanent fund principal	-	-	-	-	-	-	595,337	595,337
Restricted:								
Debt service	-	-	-	-	-	-	1,302,776	1,302,776
Capital projects	-	-	-	-	-	-	86,140	86,140
Unemployment benefits	-	-	-	-	-	-	44,083	44,083
Forestry improvement purposes	-	-	-	-	-	-	4,394	4,394
Other commitments	-	-	-	-	-	-	454,240	454,240
Assigned:								
School based activities	58,079	-	-	-	-	-	-	58,079
Other purposes	-	-	-	-	-	1,605,758	-	1,605,758
Unassigned	7,356,330	-	-	-	-	-	-	7,356,330
Total Fund Balances	7,414,409	-	-	-	-	1,605,758	2,514,774	11,534,941
Total Liabilities and Fund Balances	$ 7,414,409	$ 97,284	$ 43,944	$ 74,862	$ 75,944	$ 1,605,758	$ 2,548,359	$ 11,860,560

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

WESTERN LINE SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets **Exhibit C-1**
June 30, 2011

Total fund balances for governmental funds		$ 11,534,941
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 145,940	
Buildings	9,154,830	
Building improvements	4,151,178	
Improvements other than buildings	890,061	
Mobile equipment	1,620,074	
Furniture and equipment	886,235	
Accumulated depreciation	(7,490,799)	9,357,519
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Limited obligation bonds	(325,000)	
Three mill notes payable	(133,000)	
Qualified zone academy bonds	(1,250,000)	
Qualified school construction bonds	(1,500,000)	
Compensated absences	(128,427)	
Accrued interest payable	(19,100)	(3,355,527)
Net assets of governmental activities		$ 17,536,933

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

WESTERN LINE SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

Exhibit D

	Major Funds							
	General Fund	Title I Fund	ARRA - Title I Fund	IDEA Part B Fund	Twenty First Century Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Local sources	$ 5,562,262	$ -	$ -	$ -	$ -	$ -	$ 506,195	$ 6,068,457
State sources	7,455,389	-	-	-	-	-	184,575	7,639,964
Federal sources	146,040	875,103	296,929	210,392	147,268	-	2,668,833	4,344,565
Sixteenth section sources	-	-	-	-	-	248,661	5,034	253,695
Total Revenues	13,163,691	875,103	296,929	210,392	147,268	248,661	3,364,637	18,306,681
Expenditures:								
Instruction	6,467,116	556,478	253,612	56,752	128,519	-	1,880,036	9,342,513
Support services	4,200,092	315,596	43,317	153,640	18,749	-	205,675	4,937,069
Noninstructional services	14	3,029	-	-	-	-	1,101,065	1,104,108
Sixteenth section	-	-	-	-	-	18,852	-	18,852
Facilities acquisition and construction	5,673	-	-	-	-	-	792,024	797,697
Debt service:								
Principal	83,228	-	-	-	-	-	316,000	399,228
Interest	10,691	-	-	-	-	-	42,417	53,108
Total Expenditures	10,766,814	875,103	296,929	210,392	147,268	18,852	4,337,217	16,652,575
Excess (Deficiency) of Revenues over (under) Expenditures	2,396,877	-	-	-	-	229,809	(972,580)	1,654,106
Other Financing Sources (Uses):								
Operating transfers in	39,816	-	-	-	-	5,034	557,015	601,865
Transfer from QZAB debt service agent	-	-	-	-	-	-	135,000	135,000
Transfer from QSCB debt service agent	-	-	-	-	-	-	50,000	50,000
Operating transfers out	(557,015)	-	-	-	-	-	(44,850)	(601,865)
Payment to QZAB escrow agent	-	-	-	-	-	-	(135,000)	(135,000)
Payment to QSCB escrow agent	-	-	-	-	-	-	(50,000)	(50,000)
Total Other Financing Sources (Uses)	(517,199)	-	-	-	-	5,034	512,165	-
Net Change in Fund Balances	1,879,678	-	-	-	-	234,843	(460,415)	1,654,106
Fund Balances:								
July 1, 2010	5,534,731	-	-	-	-	1,370,915	2,977,741	9,883,387
Decrease in reserve for inventory	-	-	-	-	-	-	(2,552)	(2,552)
June 30, 2011	$7,414,409	$ -	$ -	$ -	$ -	$ 1,605,758	$ 2,514,774	$11,534,941

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

WESTERN LINE SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit D-1

Net change in fund balances - total governmental funds		$ 1,654,106
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 735,359	
Depreciation expense	(550,408)	184,951
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(11,886)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	399,228	
Accrued interest payable	343	399,571
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	4,004	
Change in inventory reserve	(2,552)	1,452
Change in net assets of governmental activities		$ 2,228,194

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

WESTERN LINE SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities **Exhibit E**

June 30, 2011

	Agency Funds
Assets	
Cash and cash equivalents	$ 925,810
Total Assets	$ 925,810
Liabilities	
Accounts payable and accrued liabilities	$ 894,591
Due to student clubs	31,019
Due to other funds	200
Total Liabilities	$ 925,810

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

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

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

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

C. Government-wide and Fund Financial Statements

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

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or

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

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

The school district reports the following major governmental funds:

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

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

ARRA - Title I Fund – This is the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students, as a result of the Recovery Act.

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

Twenty First Century Fund – This fund is used to account for the revenues and expenditures of the federal program which is used to provide after-school reading services to children.

Sixteenth Section Interest Fund- This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Interest Fund. Those revenues and expenditures include, but are not limited to, timber sales, interest on investments, leases, land improvements, purchase of investments and transfers to district maintenance.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific

revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

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. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-

term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting,* issued in 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. Assets, liabilities, and net assets/fund balances

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

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

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

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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

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

9. Fund Balances

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $9,963,739 (which includes $393,068 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and $925,810, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of $11,317,419 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was $67,295.

Investments

As of June 30, 2011, the district had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
Federal home loan bank	Aaa	Less than 1	$ 745,955
Federal home loan mortgage corporation	Aaa	Less than 1	223,984
Certificate of deposit		Less than 1	393,068
Total			$ 1,363,007

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, 2011, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2011, the district had the following investments:

Issuer		Fair Value	% of Total Investments
Federal home loan bank	$	745,955	55%
Federal home loan mortgage corporation		223,984	16%
Certificate of deposit - Planter's Bank		393,068	29%
Total	$	1,363,007	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund		Amount
General fund	Title I fund	$	97,284
	ARRA - Title I fund		43,944
	IDEA Part B fund		74,862
	Twenty first century fund		75,944
	Other governmental funds		32,037
	Fiduciary fund		200
Total		$	324,271

The primary purpose of the interfund receivables and payables are to close out the federal programs at year end.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General fund	Other governmental funds	$	557,015
Other governmental funds	General fund		39,816
	Sixteenth section interest fund		5,034
Total		$	601,865

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation to the general fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling $595,337, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash balance, totaling $160,688, of the MAEP Limited Obligation Bond/Note Fund.

In addition, the restricted assets represent the cash balance, totaling $86,140, of the unspent Qualified School Construction Bond proceeds. Also, restricted assets represent the cash with fiscal agents balance, totaling, $50,001, of the Qualified School Construction Bond sinking fund.

In addition, the restricted assets represent the cash, cash with fiscal agents, and investment balance, totaling $101,146, $17,294, and $969,939, respectively, of the QZAB Bond Retirement Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2011
Governmental Activities:						
Non-depreciable capital assets:						
Land	$ 94,457	$ 51,483	$ -	$ -	$ -	$ 145,940
Construction in progress	608,949	588,749	-	(1,197,698)	-	-
Total non-depreciable capital assets	703,406	640,232	-	(1,197,698)	-	145,940
Depreciable capital assets:						
Buildings	8,456,896	-	-	697,934	-	9,154,830
Building improvements	3,551,414	-	-	499,764	100,000	4,151,178
Improvements other than buildings	936,079	53,982	-	-	(100,000)	890,061
Mobile equipment	1,758,891	-	(118,866)	-	(19,951)	1,620,074
Furniture and equipment	825,139	41,145	-	-	19,951	886,235
Total depreciable capital assets	15,528,419	95,127	(118,866)	1,197,698	-	16,702,378
Less accumulated depreciation for:						
Buildings	4,012,320	161,495	-	-	-	4,173,815
Building improvements	1,166,675	164,843	-	-	-	1,331,518
Improvements other than buildings	320,871	31,619	-	-	-	352,490
Mobile equipment	1,012,862	85,917	(106,980)	-	-	991,799
Furniture and equipment	534,643	106,534	-	-	-	641,177
Total accumulated depreciation	7,047,371	550,408	(106,980)	-	-	7,490,799
Total depreciable capital assets, net	8,481,048	(455,281)	(11,886)	1,197,698	-	9,211,579
Governmental activities capital assets, net	$ 9,184,454	$184,951	$(11,886)	$ -	$ -	$ 9,357,519

The adjustments noted above were to correct errors in classification of capital assets.

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.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 334,263
Support services	176,642
Non-instructional	39,503
Total depreciation expense - Governmental activities	$ 550,408

Note 6 – Long-term Liabilities

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

		Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due Within one year
A.	Limited obligation bonds payable	$ 475,000	-	(150,000)	325,000	160,000
B.	Three mill notes payable	369,000	-	(236,000)	133,000	133,000
C.	Qualified zone academy bonds payable	1,250,000	-	-	1,250,000	-
D.	Qualified school construction bonds payable	1,500,000	-	-	1,500,000	-
E.	Other loans payable	13,228	-	(13,228)	-	-
F.	Compensated absences payable	132,431	-	(4,004)	128,427	-
	Total	$ 3,739,659	-	(403,232)	3,336,427	293,000

A. Limited obligations 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement, Series 1998	4.790%	4/1/1998	4/1/2013	$ 2,710,000	$ 325,000
Total				$ 2,710,000	$ 325,000

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

Year Ending June 30	Principal	Interest	Total
2012	$ 160,000	$ 11,025	$ 171,025
2013	165,000	3,712	168,712
Total	$ 325,000	$ 14,737	$ 339,737

This debt will be retired from the MAEP bond retirement fund.

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.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trustmark National Bank	5.10%	6/30/1996	6/30/2012	$ 750,000	$ 74,000
Hancock Bank	3.54%	12/23/2002	12/23/2011	1,310,000	59,000
Total				$ 2,060,000	$ 133,000

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

1. Three mill notes payable issued June 30, 1996

Year Ending June 30	Principal	Interest	Total
2012	$ 74,000	3,672	77,672
Total	$ 74,000	3,672	77,672

2. Three mill notes payable issued December 23, 2002

Year Ending June 30	Principal	Interest	Total
2012	$ 59,000	2,089	61,089
Total	$ 59,000	2,089	61,089

Total three mill notes payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	$ 133,000	5,761	138,761
Total	$ 133,000	5,761	138,761

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

C. Qualified zone academy bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trustmark National Bank	0.00%	1/27/2004	1/27/2014	$ 250,000	$ 250,000
Trustmark National Bank	0.00%	12/1/2005	12/1/2015	1,000,000	1,000,000
Total				$ 1,250,000	$ 1,250,000

D. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds	0.94%	12/23/2009	9/15/2024	$ 1,500,000	$1,500,000
Total				$ 1,500,000	$1,500,000

E. Other loans payable

This debt was retired during the year.

F. Compensated absences payable.

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

Note 7 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2012	$ 157,569
2013	155,566
2014	62,216
2015	17,265
Total	$ 392,616

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% 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, 2011, 2010 and 2009 were $1,038,136, $1,111,890 and $1,074,746, respectively, which equaled the required contributions for each year.

Note 9 – Contingencies

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

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

Note 10 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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 consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 11 – Qualified Zone Academy Bonds

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

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before January 27 of each year. The amount on deposit at June 30, 2011, was $1,088,379. 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 annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	$ 110,500
Total	$ 110,500

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit with the escrow agent at June 30, 2011 was $50,001. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	$ 104,000
2013	104,000
2014	104,000
2015	104,000
2016	104,000
2017 - 2021	518,000
2022 - 2025	412,000
Total	$ 1,450,000

REQUIRED SUPPLEMENTAL INFORMATION

WESTERN LINE SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 5,282,684	$ 5,562,262	$ 5,562,262	$ 279,578	$ -
State sources	8,031,470	7,455,389	7,455,389	(576,081)	-
Federal sources	175,000	146,040	146,040	(28,960)	-
Total Revenues	13,489,154	13,163,691	13,163,691	(325,463)	-
Expenditures:					
Instruction	8,144,441	6,467,117	6,467,116	1,677,324	1
Support services	4,314,560	4,215,064	4,200,092	99,496	14,972
Noninstructional services	1,000	14	14	986	-
Facilities acquisition and construction	460,000	5,673	5,673	454,327	-
Debt service:					
Principal	88,788	93,919	83,228	(5,131)	10,691
Interest	-	-	10,691	-	(10,691)
Total Expenditures	13,008,789	10,781,787	10,766,814	2,227,002	14,973
Excess (Deficiency) of Revenues over (under) Expenditures	480,365	2,381,904	2,396,877	1,901,539	14,973
Other Financing Sources (Uses):					
Operating transfers in	2,660,343	1,677,721	39,816	(982,622)	(1,637,905)
Operating transfers out	(2,962,836)	(2,194,920)	(557,015)	767,916	1,637,905
Total Other Financing Sources (Uses)	(302,493)	(517,199)	(517,199)	(214,706)	-
Net Change in Fund Balances	177,872	1,864,705	1,879,678	1,686,833	14,973
Fund Balances:					
July 1, 2010	5,534,731	5,534,731	5,534,731	-	-
June 30, 2011	$ 5,712,603	$ 7,399,436	$ 7,414,409	$ 1,686,833	$ 14,973

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

WESTERN LINE SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 898,584	$ 875,103	$ 875,103	$ (23,481)	$ -
Total Revenues	898,584	875,103	875,103	(23,481)	-
Expenditures:					
Instruction	553,451	556,478	556,478	(3,027)	-
Support services	339,133	315,596	315,596	23,537	-
Noninstructional services	6,000	3,029	3,029	2,971	-
Total Expenditures	898,584	875,103	875,103	23,481	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	$ -	$ -	$ -	$ -	$ -

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

WESTERN LINE SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
ARRA Title I Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 268,986	$ 244,990	$ 296,929	$ (23,996)	$ 51,939
Total Revenues	268,986	244,990	296,929	(23,996)	51,939
Expenditures:					
Instruction	268,986	244,990	253,612	23,996	(8,622)
Support services	-	-	43,317	-	(43,317)
Total Expenditures	268,986	244,990	296,929	23,996	(51,939)
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	$ -	$ -	$ -	$ -	$ -

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

WESTERN LINE SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
IDEA Part B Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 464,088	$ 210,392	$ 210,392	$ (253,696)	$ -
Total Revenues	464,088	210,392	210,392	(253,696)	-
Expenditures:					
Instruction	189,821	56,752	56,752	133,069	-
Support services	274,267	153,640	153,640	120,627	-
Total Expenditures	464,088	210,392	210,392	253,696	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	$ -	$ -	$ -	$ -	$ -

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

WESTERN LINE SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
Twenty First Century Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 141,506	$ 147,268	$ 147,268	$ 5,762	$ -
Total Revenues	141,506	147,268	147,268	5,762	-
Expenditures:					
Instruction	111,146	128,519	128,519	(17,373)	-
Support services	30,360	18,749	18,749	11,611	-
Total Expenditures	141,506	147,268	147,268	(5,762)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2010	-	-	-	-	-
June 30, 2011	$ -	$ -	$ -	$ -	$ -

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

WESTERN LINE SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section	$ 241,000	$ 248,661	$ 248,661	$ 7,661	$ -
Total Revenues	241,000	248,661	248,661	7,661	-
Expenditures:					
Sixteenth section	24,000	18,852	18,852	5,148	-
Total Expenditures	24,000	18,852	18,852	5,148	-
Excess (Deficiency) of Revenues over (under) Expenditures	217,000	229,809	229,809	12,809	-
Other Financing Sources (Uses):					
Operating transfers in	4,000	5,034	5,034	1,034	-
Operating transfers out	(221,000)	-	-	221,000	-
Total Other Financing Sources (Uses)	(217,000)	5,034	5,034	222,034	-
Net Change in Fund Balances	-	234,843	234,843	234,843	-
Fund Balances:					
July 1, 2010	1,370,915	1,370,915	1,370,915	-	-
June 30, 2011	$ 1,370,915	$ 1,605,758	$ 1,605,758	$ 234,843	$ -

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

Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

WESTERN LINE SCHOOL DISTRICT

Supplemental Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 330,210
National school lunch program	10.555	808,974
Total child nutrition cluster		1,139,184
Total passed-through Mississippi Department of Education		1,139,184
Total U.S. Department of Agriculture		1,139,184
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	105,526
Total Federal Communications Commission		105,526
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and communities - state grants	84.186	4,430
Twenty first century community learning centers	84.287	147,268
Gaining early awareness and readiness for undergraduate programs	84.334	1,181
Rural education	84.358	32,487
Improving teacher quality state grants	84.367	30,909
ARRA - Education jobs fund, Recovery Act	84.410A	352,855
Subtotal		569,130
Title I cluster:		
Title I grants to local educational agencies	84.010	923,763
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	249,757
Total title I cluster		1,173,520
Education technology state grants cluster:		
Education technology state grants	84.318	11,215
ARRA - Education technology state grants, Recovery Act	84.386	248,382
Total education technology state grants cluster		259,597
Special education cluster:		
Special education - grants to states	84.027	210,392
Special education - preschool grants	84.173	4,782
ARRA - Special education grants to states, Recovery Act	84.391	296,929
ARRA - Special education - preschool grants, Recovery Act	84.392	670
Total special education cluster		512,773
State Fiscal Stabilization Fund:		
ARRA - State fiscal stabilization fund - education state grants, Recovery Act	84.394	472,528
Total state fiscal stabilization fund		472,528
Total passed-through Mississippi Department of Education		2,987,548
Total U.S. Department of Education		2,987,548

WESTERN LINE SCHOOL DISTRICT

Supplemental Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Health and Human Services		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	39,794
Total passed-through Mississippi Department of Education		39,794
Total U.S. Department of Health and Human Services		39,794
Total for All Federal Awards		$ 4,272,052

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

WESTERN LINE SCHOOL DISTRICT

Supplemental Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2011

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	11,589,490	8,888,035	639,743	648,025	1,413,687
Other		5,063,085	1,560,032	309,249	96,029	3,097,775
Total	$	16,652,575	10,448,067	948,992	744,054	4,511,462
Total number of students *		1,847				
Cost per student	$	9,016	5,656	514	403	2,443

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

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

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

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

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

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

OTHER INFORMATION

WESTERN LINE SCHOOL DISTRICT

Other Information

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

	2011	2010*	2009*	2008*
Revenues:				
Local sources	$ 5,562,262	$ 5,255,342	$ 5,187,483	$ 4,696,791
State sources	7,455,389	7,716,563	8,451,723	8,588,809
Federal sources	146,040	90,435	396,587	249,230
Total Revenues	13,163,691	13,062,340	14,035,793	13,534,830
Expenditures:				
Instruction	6,467,116	7,161,196	7,845,680	7,591,394
Support services	4,200,092	4,587,670	4,975,993	4,251,710
Noninstructional services	14	-	1,036	125
Facilities acquisition and construction	5,673	215,115	74,189	360,826
Debt service:				
Interest	83,228	80,324	77,324	73,324
Other	10,691	9,026	12,317	15,428
Total Expenditures	10,766,814	12,053,331	12,986,539	12,292,807
Excess (Deficiency) of Revenues over (under) Expenditures	2,396,877	1,009,009	1,049,254	1,242,023
Other Financing Sources (Uses):				
Sale of transportation equipment	-	4,418	3,563	-
Sale of other property	-	1,537	1,086	-
Operating transfers in	39,816	39,817	51,000	71,829
Operating transfers out	(557,015)	(547,223)	(574,479)	(713,812)
Total Other Financing Sources (Uses)	(517,199)	(501,451)	(518,830)	(641,983)
Net Change in Fund Balances	1,879,678	507,558	530,424	600,040
Fund Balances:				
Beginning of period	5,534,731	5,027,173	4,496,749	3,896,709
End of Period	$ 7,414,409	$ 5,534,731	$ 5,027,173	$ 4,496,749

*SOURCE - PRIOR YEAR AUDIT REPORTS

WESTERN LINE SCHOOL DISTRICT

Other Information

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

	2011	2010*	2009*	2008*
Revenues:				
Local sources	$ 6,068,457	$ 5,754,988	$ 5,684,183	$ 5,177,646
State sources	7,639,964	7,890,921	8,645,425	8,800,928
Federal sources	4,344,565	4,102,382	3,306,368	2,865,963
Sixteenth section sources	253,695	248,287	277,369	196,460
Total Revenues	18,306,681	17,996,578	17,913,345	17,040,997
Expenditures:				
Instruction	9,342,513	9,897,252	9,661,636	9,406,846
Support services	4,937,069	5,385,441	5,784,051	4,977,147
Noninstructional services	1,104,108	1,062,091	991,135	904,719
Sixteenth section	18,852	23,707	32,457	19,615
Facilities acquisition and construction	797,697	824,064	74,189	360,826
Debt service:				
Principal	399,228	390,324	372,324	368,324
Interest	53,108	47,470	62,660	77,687
Other	-	1,950	-	-
Total Expenditures	16,652,575	17,632,299	16,978,452	16,115,164
Excess (Deficiency) of Revenues over (under) Expenditures	1,654,106	364,279	934,893	925,833
Other Financing Sources (Uses):				
Bonds and notes issued	-	1,500,000	-	-
Sale of transportation equipment	-	4,418	3,563	-
Sale of other property	-	3,222	1,086	-
Transfer from QZAB debt service agent	135,000	135,000	80,000	108,000
Transfer from QSCB debt service agent	50,000	-	-	-
Operating transfers in	601,865	591,603	635,863	802,226
Operating transfers out	(601,865)	(591,603)	(635,863)	(802,226)
Payment to QZAB escrow agent	(135,000)	(135,000)	(80,000)	(108,000)
Payment to QSCB escrow agent	(50,000)	-	-	-
Other financing uses	-	(7,625)	-	-
Total Other Financing Sources (Uses)	-	1,500,015	4,649	-
Net Change in Fund Balances	1,654,106	1,864,294	939,542	925,833
Fund Balances:				
Beginning of period	9,883,387	8,028,095	7,083,430	6,157,772
Increase (Decrease) in reserve for inventory	(2,552)	(9,002)	5,123	(175)
End of Period	$ 11,534,941	$ 9,883,387	$ 8,028,095	$ 7,083,430

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC

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

Superintendent and School Board
Western Line School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Line School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Western Line School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Western Line School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Line School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Western Line School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Line School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Cunningham CPAs

Cunningham CPAs, PLLC

December 19, 2011

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INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Western Line School District

Compliance

We have audited Western Line School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Western Line School District's major federal programs for the year ended June 30, 2011. Western Line School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Western Line School District's management. Our responsibility is to express an opinion on Western Line School District's compliance based on our audit.

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

In our opinion, Western Line School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Western Line School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Western Line School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Western Line School District's internal control over compliance.

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

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

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.

Cunningham CPAs

Cunningham CPAs, PLLC

December 19, 2011

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

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

Superintendent and School Board
Western Line School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Line School District as of and for the year ended June 30, 2011, which collectively comprise Western Line School District's basic financial statements and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $5,462 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

Cunningham CPAs, PLLC

December 19, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WESTERN LINE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified?	None reported
5.	Type of auditor's report issued on compliance for major programs:	Unqualified
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
7.	Identification of major programs:	
	A. Title I - Grants to local educational agencies:	
	CFDA #	84.010
	CFDA #	84.389
	B. ARRA - State fiscal stabilization - education state grants, Recovery Act	
	CFDA #	84.394
	C. Special education cluster:	
	CFDA #	84.027
	CFDA #	84.173
	CFDA #	84.391
	CFDA #	84.392
	D. Education jobs fund, Recovery Act	
	CFDA #	84.410A
	E. Education technology state grants cluster:	
	CFDA #	84.318
	CFDA #	84.386
8.	Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
9.	Auditee qualified as a low-risk auditee?	No

WESTERN LINE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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