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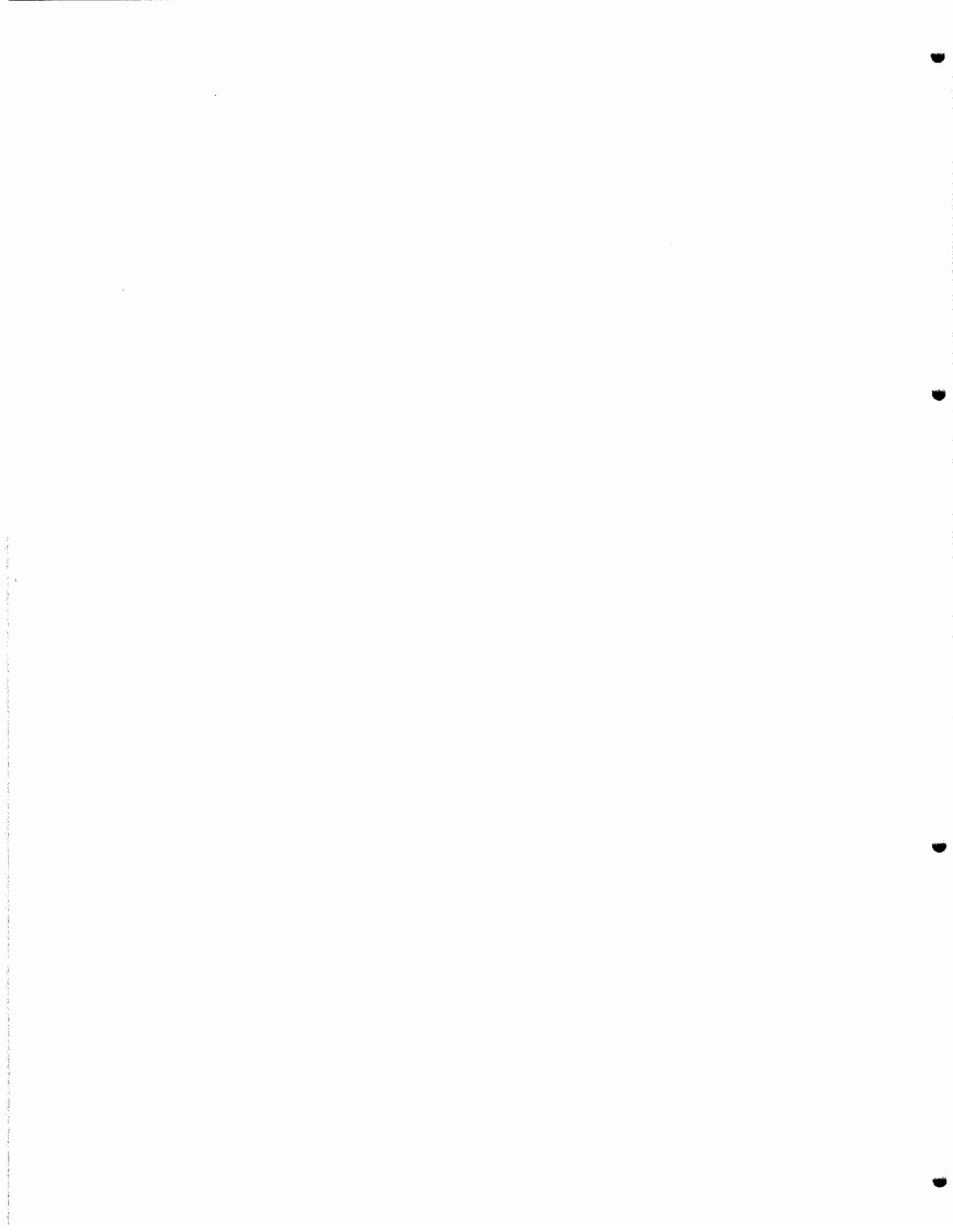


**UNION COUNTY SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**



**UNION COUNTY SCHOOL DISTRICT  
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JUNE 30, 2006**

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**INDEPENDENT AUDITORS' REPORT  
ON THE BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

Superintendent and School Board  
Union County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2006, which collectively comprise the Union County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Union County 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 of America. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Union County School District at June 30, 2006, 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 a report dated July 9, 2007, on our consideration of the Union County School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the Budgetary Comparison Schedules and corresponding notes on pages 29 and 30 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Union County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133,

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

*Brauner, Vansteyn + Co. P.A.*

July 9, 2007  
Booneville, Mississippi

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

The discussion and analysis of Union County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this selection is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$541,395, which represents 6.7% increase from fiscal year 2005.
- General revenues account for \$14,641,739 in revenue, or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,913,505 or 21% of total revenues.
- The District had \$18,013,849 in expenses; only \$3,913,505 of these expenses were offset by program specific charges for services, grants and contributions.
- Among major funds, the General Fund had \$15,097,704 in revenues and \$14,944,932 in expenditures. The General Fund's fund balance decreased \$198,446 over the prior year due to construction costs.
- Capital assets, net of accumulated depreciation, increased by \$342,145.
- Long-term debt decreased by \$351,820

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

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

The government-wide financial statements can be found on pages 9-10 of this report.

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 12 and 14, respectively.

The District maintains individual governmental funds in accordance with the Financial Accounting Manual for Mississippi Public School Districts. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Assets and Liabilities on page 15.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-28 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found on pages 29-30 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 31 of this report

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$8,569,810 as of June 30, 2006.

By far the largest portion of the District's net assets, 56.37% reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2006 compared to 2005.

**Condensed Statement of Net Assets**

	2006 Amount	2005 Amount	Total Percentage Change 2006-2005
Current assets	\$ 5,068,605	\$ 5,223,119	-2.96%
Capital assets, net	9,799,472	9,457,327	3.62%
<b>Total assets</b>	<b>14,868,077</b>	<b>14,680,446</b>	<b>1.28%</b>
Current liabilities	1,144,407	1,146,351	-0.17%
Long-term debt outstanding	5,153,860	5,505,680	-6.39%
<b>Total liabilities</b>	<b>6,298,267</b>	<b>6,652,031</b>	<b>-5.32%</b>
Net assets:			
Invested in capital assets, net of related debt	4,831,142	4,176,737	15.67%
Restricted	1,013,869	1,059,361	-4.29%
Unrestricted	2,724,799	2,792,317	-2.42%
<b>Total net assets</b>	<b>\$ 8,569,810</b>	<b>\$ 8,028,415</b>	<b>6.74%</b>

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

Reduction of long-term debt by \$351,820

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2006 were \$18,555,244. The total cost of all programs and services was \$18,013,849. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006.

Table 2 shows the changes in net assets for fiscal year ending June 30, 2006 compared to 2005:

**Table 2  
Change in Net Assets**

	2006 Amount	2005 Amount	Total Percentage Change 2006-2005
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 1,342,324	1,198,338	12%
Operating grants	2,571,181	2,225,667	15.52%
Capital grants	-	86,504	-100%
General revenues			
Property taxes	2,190,495	1,861,610	17.67%
Unrestricted grants	12,243,858	11,570,241	5.82%
Other	207,386	185,011	12.09%
<b>Total revenues</b>	<b>18,555,244</b>	<b>17,127,371</b>	<b>8.34%</b>
<b>Expenses:</b>			
Instruction	11,049,754	10,126,707	9.11%
Support services	5,175,979	5,449,532	-5.02%
Non-instructional	1,593,151	1,435,291	11.00%
Interest on long-term liabilities	194,965	244,458	-20.25%
<b>Total expenses</b>	<b>18,013,849</b>	<b>17,255,988</b>	<b>4.39%</b>
<b>Change in net assets</b>	<b>\$ 541,395</b>	<b>\$ (128,617)</b>	<b>-520.94%</b>

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

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

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>% Change</u>	<u>Net (Expense) Revenue</u>		<u>% Change 2006-2005%</u>
	<u>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>	
Instruction	\$ 11,049,754	\$ 10,126,707	9.11%	\$ (8,549,496)	\$ (8,462,255)	1.03%
Support services	5,175,979	5,449,532	-5.02%	(5,097,766)	(4,850,299)	5.10%
Non-instructional	1,593,151	1,435,291	11.00%	(258,117)	(188,467)	36.96%
Interest on long-term liabilities	194,965	244,458	-20.25%	(194,965)	(244,458)	-20.25%
<b>Total expenses</b>	<b>\$ 18,013,849</b>	<b>\$ 17,255,988</b>	<b>4.39%</b>	<b>\$ (14,100,344)</b>	<b>\$ (13,745,479)</b>	<b>2.58%</b>

- Net cost of governmental activities \$14,100,344, was financed by general revenue, which is made up of primarily property taxes \$2,190,495 and state revenue \$12,130,655.

Investment earnings accounted for \$112,670 of funding.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,983,595, a decrease of \$154,232. \$3,030,055 or 76.06% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$953,540 or 23.94% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$198,446, a result of construction costs. The fund balance of Other Governmental Funds showed an increase of \$38,981 due primarily to unexpended loan proceeds in the amount of \$173,000 earmarked for the purchase of buses.

**BUDGETARY HIGHLIGHTS**

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

- Budget amounts for revenue from state sources was increased to full funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- Budgeted amounts for facilities acquisition and construction expenditures were decreased due primarily to school construction being delayed until the next fiscal year.

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

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2006, the District's total capital assets were \$14,703,928 including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$751,497 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$4,904,456 and total depreciation expense for the year was \$407,307, resulting in total net assets of \$9,799,472.

Additional information of the District's capital assets can be found in Note 5 on page 23 of this report.

Table 4 shows fiscal year ending June 30, 2006 as compared to 2005.

**Table 4  
Capital Assets At June 30, 2006  
(Net of depreciation)**

	<u>2006</u>	<u>2005</u>	<u>Total % Change 2006-2005</u>
Land	\$ 351,601	\$ 334,001	5.27%
Construction in Progress	-	148,766	100.00%
Buildings	8,638,127	6,810,678	26.83%
Improvements Other than Buildings	151,964	1,621,115	-90.63%
Mobile Equipment	581,575	485,232	19.86%
Furniture & Equipment	76,205	57,535	32.45%
<b>Totals</b>	<u>\$ 9,799,472</u>	<u>\$ 9,457,327</u>	3.62%

**Debt Administration.** At June 30, 2006, the District had \$5,153,860 in limited obligation bonds and other long-term debt outstanding, of which \$538,344 is due within one year.

Additional information of the District's long-term debt can be found in Note 6 on page 24 of this report.

Table 5 shows fiscal year ending June 30, 2006 as compared to 2005:

**Table 5  
Outstanding Long-Term Debt at June 30, 2006**

	<u>2006</u>	<u>2005</u>	<u>Total % Change 2006-2006</u>
Limited obligation bonds payable	\$ 3,640,000	\$ 3,840,000	-5.21%
Three-mill notes payable	173,000	151,000	14.57%
Obligation under energy efficiency lease	1,155,330	1,289,590	-10.41%
Shortfall notes payable	-	33,808	-100.00%
Other loans payable	44,980	60,154	-25.23%
Compensated absences payable	140,550	131,128	7.19%
<b>Totals</b>	<u>\$ 5,153,860</u>	<u>\$ 5,505,680</u>	-6.39%

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

**CURRENT ISSUES**

The Union County 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 millage has increased 4 mills over 3 years. In addition, the District 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.

Latest enrollment figures indicate that student enrollment in the District will decline by 75 students or 3%. The budget for the next fiscal year has taken into account this reduction in both funding and staffing needs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Union County School District, 250 Carter Avenue, New Albany, MS 39652.

**UNION COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

**Exhibit A**

	Primary Government Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 3)	\$ 4,072,995
Restricted Investments (Note 3)	157,703
Intergovernmental receivables	811,664
Inventories and prepaid items	21,462
Interfund receivables-fiduciary	4,781
Capital Assets, not being depreciated (Note 5)	
Land	351,601
Capital Assets, net of accumulated depreciation	
Buildings	8,638,127
Improvements other than buildings	151,964
Mobile equipment	581,575
Furniture and equipment	76,205
<b>Total Assets</b>	<b>14,868,077</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	1,085,010
Interest payable on long-term liabilities	59,397
Long-term liabilities - Due within one year ( Note 6)	
Capital related liabilities	513,180
Non-capital liabilities	15,174
Long-term liabilities - Due beyond one year (Note 6)	
Capital Related liabilities	4,455,150
Non-capital liabilities	170,356
<b>Total Liabilities</b>	<b>6,298,267</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	4,831,142
Restricted Net Assets:	
Expendable	
School based activities	329,510
Unemployment benefits	66,543
Debt Service	617,816
Unrestricted	2,724,799
<b>Total Net Assets</b>	<b>\$ 8,569,810</b>

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

UNION COUNTY SCHOOL DISTRICT  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Assets Primary Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants		
<b>Governmental Activities</b>						
Instruction	\$ 11,049,754	793,519	1,706,739	-	(8,549,496)	
Support services	5,175,979	78,213	-	-	(5,097,766)	
Noninstructional	1,593,151	470,592	864,442	-	(258,117)	
Interest on long-term liabilities	194,965	-	-	-	(194,965)	
<b>Total Governmental Activities</b>	<b>18,013,849</b>	<b>1,342,324</b>	<b>2,571,181</b>	<b>-</b>	<b>(14,100,344)</b>	

General Revenues:

Taxes:

General purpose levies	2,025,739
Debt service levies	164,756
Unrestricted grants and contributions	
State	12,130,655
Federal	113,203
Unrestricted investment earnings	112,670
Other	94,716
<b>Total General Revenues</b>	<b>14,641,739</b>
Change in Net Assets	541,395
Net Assets-Beginning	8,028,415
<b>Net Assets-Ending</b>	<b>\$ 8,569,810</b>

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

UNION COUNTY SCHOOL DISTRICT  
 Combined Balance Sheet - Governmental Funds  
 June 30, 2006

Exhibit C

	Major Fund		Total (Memorandum Only)
	General Fund	Other Governmental Fund	
<b>ASSETS</b>			
Cash and cash equivalents (Note 3)	\$ 3,227,792	845,203	4,072,995
Investments (Note 3)	-	157,703	157,703
Intergovernmental receivable	294,484	517,180	811,664
Due from other funds (Note 4)	300,125	-	300,125
Inventories and prepaid items	-	21,462	21,462
<b>Total Assets</b>	<b>3,822,401</b>	<b>1,541,548</b>	<b>5,363,949</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	906,839	178,171	1,085,010
Due to other funds (Note 4)	-	295,344	295,344
<b>Total Liabilities</b>	<b>906,839</b>	<b>473,515</b>	<b>1,380,354</b>
<b>Fund Equity</b>			
Reserved for:			
Inventory	-	21,462	21,462
Ad valorem tax escrow	188,322	-	188,322
Unemployment benefits	-	66,543	66,543
Debt service funds	-	677,213	677,213
Unreserved: Undesignated			
General fund	2,727,240	-	2,727,240
Special Revenue funds	-	302,815	302,815
<b>Total Fund Equity</b>	<b>2,915,562</b>	<b>1,068,033</b>	<b>3,983,595</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 3,822,401</b>	<b>1,541,548</b>	<b>5,363,949</b>

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

**Union County School District  
Reconciliation of the Combined Balance Sheet -  
Governmental Funds to the Statement of Net Assets  
June 30, 2006**

	<u>Amount</u>
Total Fund Balance-Governmental Funds	<u>\$ 3,983,595</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets of \$14,703,928 used in governmental activities, are not financial resources, and, therefore, are not reported in the funds. Capital assets are presented net of accumulated depreciation of \$4,904,456.	9,799,472
2. Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. (Note 6)	(5,153,860)
4. Accrued interest on debt is not due and payable in the current period and, therefore, is not reported in the funds.	(59,397)
Total Net Assets - Governmental Activities	<u><u>\$ 8,569,810</u></u>

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

**UNION COUNTY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	<u>Major Fund</u>		<u>Total</u>
	<u>General</u>	<u>Other</u>	<u>(Memorandum</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Only)</u>
		<u>Fund</u>	
<b>Revenues</b>			
Local sources	\$ 3,086,243	\$ 650,155	\$ 3,736,398
State sources	11,887,803	638,463	12,526,266
Federal sources	123,658	2,167,161	2,290,819
<b>Total Revenues</b>	<u>15,097,704</u>	<u>3,455,779</u>	<u>18,553,483</u>
<b>Expenditures</b>			
Instruction	9,428,352	1,466,320	10,894,672
Support services	4,331,206	813,821	5,145,027
Noninstructional services	465,542	1,152,836	1,618,378
Facilities acquisition and construction	500,808		500,808
Debt service:			
Principal	183,242	351,000	534,242
Interest	35,782	181,222	217,004
<b>Total Expenditures</b>	<u>14,944,932</u>	<u>3,965,199</u>	<u>18,910,131</u>
<b>Excess (Deficiency) of Revenues Over (Under)</b>			
<b>Expenditures</b>	<u>152,772</u>	<u>(509,420)</u>	<u>(356,648)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of loans	-	173,000	173,000
Sale of other property	18,323		18,323
Insurance loss recoveries	5,860		5,860
Operating transfers in	85,650	461,051	546,701
Operating transfers out	(461,051)	(85,650)	(546,701)
<b>Total Other Financing Sources (Uses)</b>	<u>(351,218)</u>	<u>548,401</u>	<u>197,183</u>
<b>Net Change in Fund Balances</b>	<u>(198,446)</u>	<u>38,981</u>	<u>(159,465)</u>
Fund Balance June 30, 2005	3,114,008	1,023,819	4,137,827
Increase in Reserve for Inventory	-	5,233	5,233
Fund Balance June 30, 2006	<u>\$ 2,915,562</u>	<u>\$ 1,068,033</u>	<u>\$ 3,983,595</u>

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

**Union County School District  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balance-Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2005**

		<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$	<u>(159,465)</u>
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. (Note 5)		
Capital assets purchased	\$ 751,497	
Depreciation expense	<u>(407,307)</u>	
		344,190
2. Disposal of capital assets are not reported in the governmental funds, but are recorded as an increase to support services in the statement of activities. (Note 5)		
Capital Assets Disposed	\$ (24,928)	
Net of Accumulated Depreciation	<u>22,883</u>	
		(2,045)
3. Proceeds of Long Term Liabilities are reported as other sources in the governmental funds but not in the statement of activities. (Note 6).		(173,000)
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 6).		534,242
5. Decrease in accrued interest is reported as an adjustment to interest expense in the statement of activities.		22,039
6. Decrease in accrued interest receivable is reported as an adjustment to investment earnings in the statement of activities.		(20,377)
7. Increase in compensated absences is reported as an adjustment to instruction, support services and noninstructional services.		(9,422)
8. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds but noninstructional expenditures are decreased in the statement of activities.		<u>5,233</u>
Change in Net Assets of Governmental Activities	\$	<u><u>541,395</u></u>

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

**UNION COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2006**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 257,834
<b>TOTAL ASSETS</b>	<u>257,834</u>
<b>LIABILITIES</b>	
Accrued liabilities	189,691
Due to other funds	4,781
Due to clubs	<u>63,362</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 257,834</u>

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

**UNION COUNTY SCHOOL DISTRICT**

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**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five-member board to which each member was elected by the citizens of each defined county district.

**B. Basis of Presentation**

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

*Government-Wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

**C. Measurement Focus and Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Funds financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used regardless of when the cash flows take place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

federal awards associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which is reported when due.

The school district reports the following major governmental funds:

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

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

**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 operation.

**D. Account Classifications**

The account classifications used in the financial statements conform to the broad classifications recommended in the Governmental Accounting, Auditing and Financial Reporting as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in Financial Accounting for Local and State School Systems, 1990 issued by the U.S. Department of Education.

**E. Encumbrances**

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

**F. Cash and Cash Equivalents**

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

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

**G. Investments**

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

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies (Continued)**

**G. Investments (continued)**

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

Investments are reported at their fair market value.

**H. Inventories and Prepaid Items**

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The 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.

**I. Capital Assets**

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Usefull Life
Land	\$ -	-
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.

**J. Long-term Liabilities**

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. (See Note (6) for details).

**K. Interfund Transactions and Balances**

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

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies (Continued)**

**K. Interfund Transactions and Balances (continued)**

Short-term interfund loans (due within one year) are reported as "interfund receivables" and are considered available expendable resources.

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note (4) for details for interfund transactions, including receivables and payables at year-end.

**L. Equity Classifications**

***Government-Wide Financial Statements:***

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

***Fund Financial Statements:***

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

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

- a. Reserved for inventory – An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.
- b. Reserved for debt service – An account that represents a portion of the fund balance which indicates that debt service payments do not represent available spendable resources even though they are a component of net current assets.
- c. Reserved for unemployment benefits – An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.
- d. Reserved for ad valorem tax escrow – An account that represents a portion of the fund balance for excess ad valorem tax collections that are legally restricted from current spendable resources.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies (Continued)**

**M. Property Taxes**

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.

**N. Mississippi Adequate Education Program Revenues**

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

**O. Compensated Absences**

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

**(2) Changes in Accounting Standards**

As required, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technological changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

**(3) Cash and Cash Equivalents, Cash with Fiscal Agents and Investments**

**Cash and Cash Equivalents**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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 for public entities' deposits in financial institutions is now 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 Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions in the governmental funds and fiduciary funds was \$4,072,995 and \$257,834 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$4,072,995 and restricted assets \$157,703. The restricted assets represent investments balance of MAEP Debt Service Fund, which is legally restricted and may not be used for purposes that support the districts programs.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(3) Cash and Cash Equivalents, Cash with Fiscal Agents and Investments (Continued)**

**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 formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above the 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, 2006, none of the district's bank balance was exposed to custodial credit risk.

**Investments**

As of June 30, 2006, the district had the following investments. All investments are in an internal investment pool

Investment Type	Maturities (in years)	Fair Market Value	Rating
Hancock Horizon Treasury Sec Mmkt CL A	Less than 1	\$ 157,703	AAA
Total		<u>\$ 157,703</u>	

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

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

**Custodial Credit Risk – Investments** – Custodial credit risk is defined as the risk that, in the event of a financial institution's failure, 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, 2006, none of the district's investment balance was exposed to custodial credit risk.

**Concentration of Credit Risk** - Disclosures of investments by amount and issuer for any issuer that represents five percent (5.00%) 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, 2006, the district had no investments requiring such disclosure.

**(4) Interfund Transactions and Balances**

The following is a summary of interfund transactions and balances:

**A. Due From/To Other Funds**

	Interfund Receivable	Interfund Payable
<b>Governmental Funds</b>		
General Fund	\$ 300,125	\$ -
Other Governmental Funds	-	295,344
Total Governmental Funds	<u>300,125</u>	<u>295,344</u>
<b>Fiduciary Funds</b>	-	4,781
Total All Funds	<u>\$ 300,125</u>	<u>\$ 300,125</u>

\$75,800 of the interfund payable is to record liabilities for indirect cost charges, \$3,876 represents interest earnings in the fiduciary funds payable to the general fund, and the balance represents interfund loans to avoid deficit cash balances in federal funds until reimbursement is received.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(4) Interfund Transactions and Balances (Continued)**

**B. Transfers In/Transfers Out**

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 85,650	\$ 461,051
Other Governmental Funds	461,051	85,650
Total All Funds	<u>546,701</u>	<u>546,701</u>

\$85,650 of the interfund transfers was the result of indirect cost charges, and \$461,051 was for support in funds from district maintenance.

**(5) Capital Assets**

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

	<u>Balance 7/1/2005</u>	<u>Additions</u>	<u>Retirement</u>	<u>Adjustments/ Completed Construction</u>	<u>Balance 6/30/2006</u>
<u>Non-depreciable capital</u>					
Land	334,001	17,600	-	-	351,601
Construction in progress	148,766	483,208	-	(631,974)	-
Total non-depreciable	<u>482,767</u>	<u>500,808</u>	<u>-</u>	<u>(631,974)</u>	<u>351,601</u>
<u>Depreciable capital assets:</u>					
Buildings	9,579,206	-	-	2,152,194	11,731,400
Improvements other than buildings	1,763,715	-	-	(1,520,220)	243,495
Mobile equipment	1,901,507	209,630	-	-	2,111,137
Furniture and equipment	250,164	41,059	24,928	-	266,295
Total depreciable capital	<u>13,494,592</u>	<u>250,689</u>	<u>24,928</u>	<u>631,974</u>	<u>14,352,327</u>
<u>Less accumulated depreciation</u>					
Buildings	2,768,528	263,936	-	60,809	3,093,273
Improvements other than buildings	142,600	9,740	-	(60,809)	91,531
Mobile equipment	1,416,275	113,287	-	-	1,529,562
Furniture and equipment	192,629	20,344	22,883	-	190,090
Total accumulated depreciation	<u>4,520,032</u>	<u>407,307</u>	<u>22,883</u>	<u>-</u>	<u>4,904,456</u>
Total depreciable capital assets, net	<u>8,974,560</u>	<u>(156,618)</u>	<u>2,045</u>	<u>631,974</u>	<u>9,447,871</u>
Governmental activities capital assets, net	<u>9,457,327</u>	<u>344,190</u>	<u>2,045</u>	<u>-</u>	<u>9,799,472</u>

Adjustments were made to transfer \$1,520,220 from Improvements other than Buildings to Buildings and applicable depreciation \$60,809 from Improvements other than Buildings to Buildings.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(5) Capital Assets (continued)**

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 145,660
Support services	240,582
Non-instructional	21,065
Total depreciation expense	<u>\$ 407,307</u>

**(6) Long-term Liabilities**

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

	Balance 7/1/2005	Additions	Reductions	Balance 6/30/2006	within one year
A. Limited obligation bonds payable	\$ 3,840,000	-	200,000	3,640,000	210,000
B. Three mill notes payable	151,000	173,000	151,000	173,000	173,000
C. Tax shortfall 2004-2005	33,808	-	33,808	-	-
D. Other loans payable	60,154	-	15,174	44,980	15,174
E. Obligation under energy efficiency lease	1,289,590	-	134,260	1,155,330	140,170
F. Compensated absences	131,128	9,422	-	140,550	-
	<u>\$ 5,505,680</u>	<u>182,422</u>	<u>534,242</u>	<u>5,153,860</u>	<u>538,344</u>

**A. Limited obligation bonds payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement	4.3-6.1%	3/1/1998	2/1/2018	<u>\$ 4,585,000</u>	<u>3,640,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2007	210,000	161,571	371,571
2008	225,000	150,329	375,329
2009	235,000	140,351	375,351
2010	245,000	129,820	374,820
2011	255,000	118,693	373,693
2011-2016	1,470,000	401,475	1,871,475
2017-2018	1,000,000	59,568	1,059,568
Total	<u>\$ 3,640,000</u>	<u>1,161,807</u>	<u>4,801,807</u>

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(6) Long-term Liabilities (Continued)**

**A. Limited obligation bonds payable (continued)**

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 improvements bonds are not included in the computation of the debt-limit percentage. This debt will be retired from the MAEP Debt Retirement Fund.

**B. Three-mill notes payable.**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Renovation, Repairs, and School Bus Purchase	4.25%	2/7/2006	2/7/2007	<u>\$ 173,000</u>	<u>173,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	<u>\$ 173,000</u>	<u>7,353</u>	<u>180,353</u>
Total	<u>\$ 173,000</u>	<u>7,353</u>	<u>180,353</u>

This debt will be retired from the Three Mill Debt Retirement Fund.

**C. Tax shortfall loan 2004-2005**

Paid in full.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(6) Long-term Liabilities (Continued)**

**D. Other loans payable.**

The school district has issued debt instruments granted under the authority of Asbestos School Hazard Abatement Act of 1984.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Asbestos Abatement Loan	0.00%	6/1/1990	11/30/2009	\$ 183,134	35,609
Asbestos Abatement Loan	0.00%	6/27/1991	5/30/2008	84,800	9,371
				<u>\$ 267,934</u>	<u>44,980</u>

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

Year Ending June 30,	Principal	Interest	Total
2007	15,174	-	15,174
2008	14,545	-	14,545
2009	10,174	-	10,174
2009	5,087	-	5,087
Total	<u>\$ 44,980</u>	<u>-</u>	<u>\$ 44,980</u>

This debt will be retired from the District Maintenance Fund.

**E. Obligation under energy efficiency lease.**

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

Year Ending June 30,	Principal	Interest and Maintenance Charges	Total
2007	140,170	43,671	183,841
2008	145,891	37,950	183,841
2009	151,834	32,007	183,841
2010	158,020	25,821	183,841
2011	164,458	19,383	183,841
2012-2014	394,957	18,687	413,644
Total	<u>\$ 1,155,330</u>	<u>177,519</u>	<u>1,332,849</u>

An energy efficiency lease agreement dated March 4, 2005, was executed by and between the district, the lessee, and LaSalle Bank National Association, the lessor.

The agreement authorized the borrowing of \$1,513,170 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and shall not exceed ten (10) years.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(6) Long-term Liabilities (Continued)**

**E. Obligation under energy efficiency lease. (Continued)**

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972). Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from the District Maintenance Fund.

**F. Compensated absences payable.**

As more fully explained in Note 1(O), 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.

**(7) Defined Benefit Pension Plan**

Plan Description: The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444-PERS.

Funding Policy: PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Union County School District's contributions to PERS for the fiscal years ending June 30, 2006, 2005, and 2004, were \$1,050,343, \$1,010,717, and \$859,246, respectively, which equaled the required contributions for each year.

**(8) 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 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to the fund held in the trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance, which will pay the excess up to \$25,000,000. 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.

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(9) Contingencies**

The school district receives Federal Grants for specific purposes that are subject to review and audit by Federal agencies. Such audits could result in a request for reimbursement by the Federal agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the school district, such disallowances, if any, would not be significant to the district's financial statements.

**(10) Alternative School Consortium**

The school district entered into an Alternative School Agreement dated July 1, 1996 creating the New Albany/South Tippah/Union County Alternative School Consortium (NASTUC). This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the New Albany Public School District, South Tippah School District and Union County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The New Albany Public School District has been designated as the lead school district for the NASTUC Consortium, and the operations of the consortium are included in its financial statements.

**(11) Other Individual Fund Disclosures**

Vocation School Consortium

The school district entered in an oral Vocational Education Agreement creating the New Albany – Union County Vocational Center. This center created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes Union County School District and New Albany Public School District.

Section 37-13-92(6), Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The New Albany Public School District has been designated as the fiscal agent for the New Albany – Union County Vocational Center the operations of the center are included in its financial statements.

Union County School District  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenue</b>					
Local Sources	\$ 2,815,796	3,072,097	3,086,243	256,301	14,146
State Sources	11,558,996	11,901,258	11,887,803	342,262	(13,455)
Federal Sources	159,000	145,648	123,658	(13,352)	(21,990)
<b>Total Revenues</b>	<b>14,533,792</b>	<b>15,119,003</b>	<b>15,097,704</b>	<b>585,211</b>	<b>(21,299)</b>
<b>Expenditures</b>					
Instruction	9,704,433	9,428,808	9,428,352	275,625	456
Support Services	4,581,995	4,366,652	4,331,206	215,343	35,446
Noninstructional services	401,826	465,542	465,542	(63,716)	-
Facilities Acquisition and Construction	584,004	500,808	500,808	83,196	-
Debt Service:					
Principal	150,315	183,492	172,061	(33,177)	11,431
Interest	48,700	50,853	46,963	(2,153)	3,890
<b>Total Expenditures</b>	<b>15,471,273</b>	<b>14,996,155</b>	<b>14,944,932</b>	<b>475,118</b>	<b>51,223</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(937,481)</b>	<b>122,848</b>	<b>152,772</b>	<b>1,060,329</b>	<b>29,924</b>
<b>Other Financing Sources (Uses)</b>					
Sale of Other Property	-	18,323	18,323	18,323	-
Insurance Loss Recoveries	5,000	5,860	5,860	860	-
Operating Transfers In	1,352,319	1,482,429	1,481,429	130,110	(1,000)
Operating Transfers Out	(1,874,704)	(1,857,830)	(1,856,830)	16,874	1,000
<b>Total Other Financing Sources (Uses)</b>	<b>(517,385)</b>	<b>(351,218)</b>	<b>(351,218)</b>	<b>166,167</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(1,454,866)</b>	<b>(228,370)</b>	<b>(198,446)</b>	<b>1,226,496</b>	<b>29,924</b>
<b>Fund Balances</b>					
July 1, 2005	3,114,008	3,114,008	3,114,008	-	-
June 30, 2006	\$ 1,659,142	2,885,638	2,915,562	1,226,496	29,924

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

**UNION COUNTY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2006**

**Basis of Presentation**

The Budgetary Comparison Schedule presents 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.

**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 consistent with accounting principles generally accepted in the United States of America.

**UNION COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year ended June 30, 2006**

**Schedule 1**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Passed-through Mississippi Department of Education:		
Non-cash Assistance:		
Food donation	10.550	\$ 68,218
Child Nutrition Cluster:		
School breakfast program	10.553	229,402
National school lunch program	10.555	459,364
Summer food service program for children	10.559	8,289
Total Child Nutrition Cluster		<u>697,055</u>
Special Supplemental Nutrition Program for women, infants and children	10.557	31,022
Total Passed-through MDE		<u>728,077</u>
<b>Total U.S. Department of Agriculture</b>		<u>796,295</u>
<b>Federal Communications Commission</b>		
Passed-through the Universal Services Administrative Co:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	25,307
<b>Total Federal Communications Commission</b>		<u>25,307</u>
<b>U.S. Department of Education</b>		
Passed-through Mississippi Department of Education:		
Special Education Cluster		
Special education - grants to states	84.027	516,450
Special education - preschool grants	84.173	16,907
Total Special Education Cluster		<u>533,357</u>
Improving Teacher Quality -		
State Grants	84.367	132,363
Title I grants to local educational agencies	84.010	430,452
State grants for innovative programs	84.298	11,186
Safe and drug-free schools and communities - state grants	84.186	14,414
Education technology state grants	84.318	6,000
Grants for state assessments and related activities	84.350	16,683
Hurricane education recovery	84.938	68,772
Total Passed-through MDE		<u>1,213,227</u>
Passed-through New Albany School District		
Twenty First Century Community Learning Centers	84.287	80,297
<b>Total U.S. Department of Education</b>		<u>1,318,831</u>
<b>Total for All Federal Awards</b>		<u>\$ 2,115,126</u>

**NOTES TO SCHEDULE**

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

Union County School District  
 Schedule of Instructional, Administrative and Other Expenses- Governmental Funds  
 June 30, 2006

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 13,977,947	11,006,358	586,639	855,137	1,529,813
Other	4,932,184	1,009,974	129,340	124,332	3,668,538
Total	\$ 18,910,131	12,016,332	715,979	979,469	5,198,351
Total number of students*	2,515				
Cost per student	\$ 7,519	4,778	285	389	2,067

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing with the interaction between teachers and students. Included here are the activities of teachers' aides or classroom assistants, of any type. All the 1000, 2100 and 2200 functional codes.

General administration - includes expenditure for the following functions: Support services - General Administrative (2300s) and Support Services - Business (2500s).

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

Other- includes all expenditure functions not included in instruction or administrative.

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



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INDEPENDENT AUDITORS' 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  
Union County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2006, and have issued our report thereon dated July 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 statements 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 did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

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

*Brawner, Vanstory & Co. P.A.*  
July 9, 2007  
Booneville, Mississippi

UNION COUNTY SCHOOL DISTRICT

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

Superintendent and School Board  
Union County School District

Compliance

We have audited the compliance of the Union County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the 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 types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Union County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Union County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

*Brauner Vanotey + Co. P. A.*

July 9, 2007  
Booneville, Mississippi



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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Union County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2006, which collectively comprise Union County School District's basic financial statements and have issued our report thereon dated July 9, 2007. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, 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 \$0 of classroom supply funds carried over from previous years.

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

*Brawner, Vanstory & Co. P.A.*

July 9, 2007  
Booneville, Mississippi

**UNION COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**Section I: Summary of Auditors' Results**

**Financial Statements:**

- |  |             |
|--|-------------|
| 1. Type of auditors' report issued on the financial statements:                        | Unqualified |
| 2. Material noncompliance relating to the financial statements?                        | No          |
| 3. Internal control over financial reporting:  |             |
| a. Material weakness(es) identified?   | No          |
| b. Reportable conditions identified that are not considered to be material weaknesses? | No          |

**Federal Awards:**

- |  |             |
|--|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs:   | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weakness(es) identified?   | No          |
| b. Reportable conditions identified that are not considered to be material weaknesses?   | No          |
| 6. Any audit findings reported as required by Section .510(a) of OMB Circular A-133?   | No          |
| 7. Federal programs identified as major programs:  |             |
| Cluster: Special Education Cluster   |             |
| CFDA #84.027   |             |
| CFDA #84.173   |             |
| Improving Teacher Quality State Grants   |             |
| CFDA #84.367   |             |
| Title I Grants to Local Educational Agencies   |             |
| CFDA#84.010  |             |
| 8. The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9. Auditee qualified as a low-risk auditee?  | No          |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No          |

**UNION COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

Questioned Costs:

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

