

UNION PUBLIC SCHOOL DISTRICT

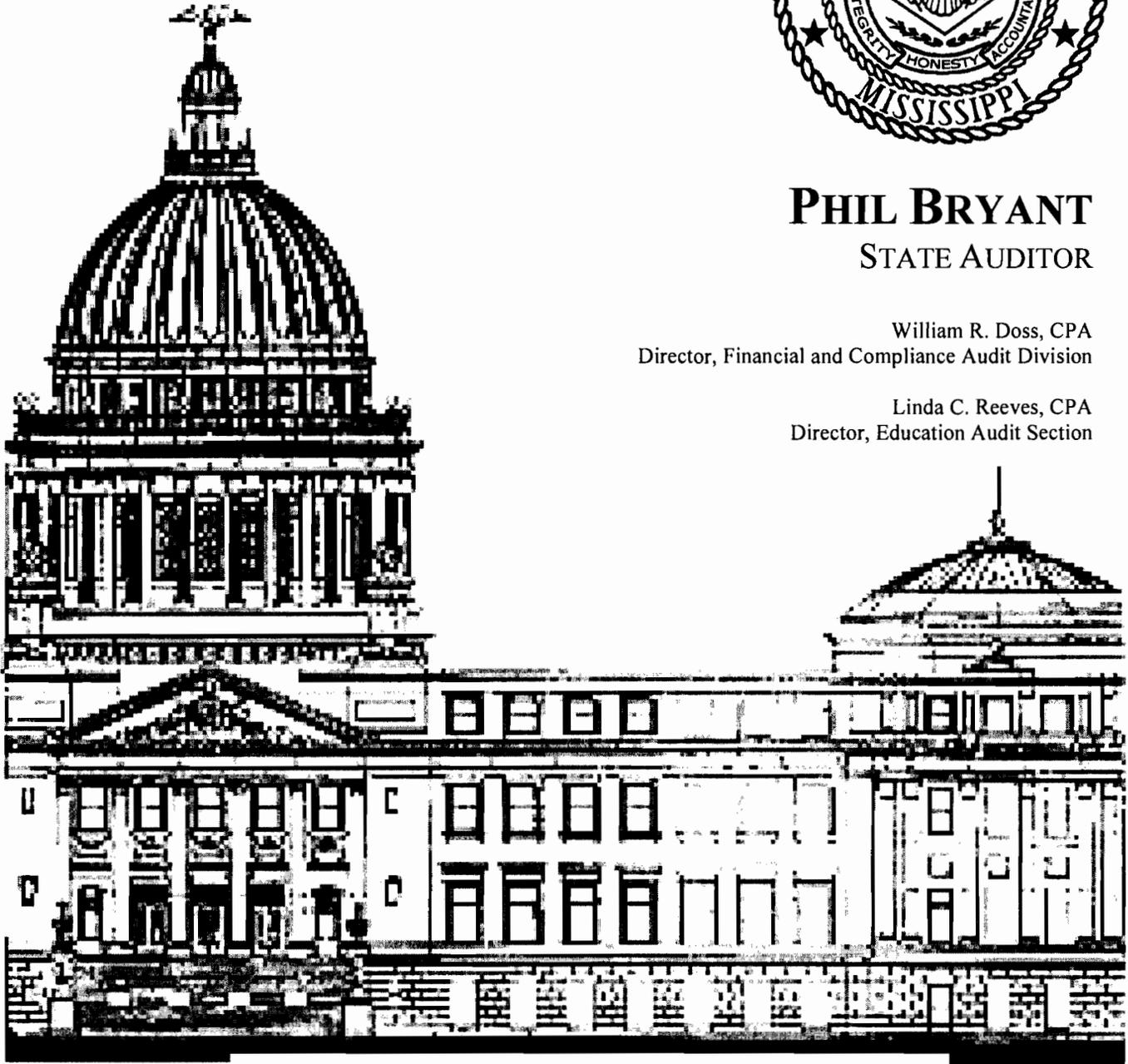
Audited Financial Statements
For the Year Ended June 30, 2006



PHIL BRYANT
STATE AUDITOR

William R. Doss, CPA
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A Report from the Education Audit Section

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UNION PUBLIC SCHOOL DISTRICT

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UNION PUBLIC SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

UNION PUBLIC SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Union Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Public School District as of and for the year ended June 30, 2006, which collectively comprise the Union Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Union Public 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 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 Public School District, as of 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.

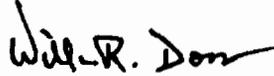
In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2007, on our consideration of the Union Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 7 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 43 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 3, 2007

UNION PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Union Public 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 financial statements and the notes to the basic financial statements to enhance their understanding of the school district's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

The Union Public School District is located in the east central part of the State in Union, MS. The Town of Union is located south of Philadelphia and north of Decatur along Hwy 15 and is home to 2,021 citizens according to the Year 2000 Census. Union Public School District is considered to be a small district. It has a student enrollment of approximately 900.

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of a prior period adjustment of \$(2), increased \$358,807 which represents an 8% increase from fiscal year 2005.
- General revenues account for \$4,878,666 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,363,004 or 22% of total revenues.
- The district had \$5,882,861 in expenses; only \$1,363,004 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$4,878,666 were adequate to provide for these programs.
- Among major funds, the General Fund had \$4,793,376 in revenues and \$4,474,747 in expenditures. Other Financing Uses was in the amount of \$81,213. The General Fund's fund balance, including the effect of a prior period adjustment, increased \$245,553 over the prior year. Increase in state funding and personnel changes accounted for the increase in fund balance over last year.
- Capital assets, net of accumulated depreciation, decreased by \$52,238.
- Long-term debt decreased \$171,577, excluding changes for compensated absences payable.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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.

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.

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 Net Assets.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements.

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 and each additional major special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the district, assets exceeded liabilities by \$4,698,393 as of June 30, 2006.

By far the largest portion of the district's net assets (54%) reflects its investment in capital assets (e.g., buildings, building improvements, improvements other than buildings, less any related debt used to acquire those assets that is still outstanding. The district uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the district's net assets as of June 30, 2006 and 2005, respectively.

	Net Assets		Percentage
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>
Current Assets	\$ 2,563,560	2,304,643	11.23%
Capital Assets, net	<u>3,745,627</u>	<u>3,797,865</u>	(1.38)%
Total assets	<u>6,309,187</u>	<u>6,102,508</u>	3.39%
Current Liabilities	355,878	332,994	6.87%
Long-term debt outstanding	<u>1,254,916</u>	<u>1,429,928</u>	(12.24)%
Total liabilities	<u>1,610,794</u>	<u>1,762,922</u>	(8.63)%
Net assets:			
Invested in capital assets, net of related debt	2,523,165	2,439,865	3.41%
Restricted	254,702	256,828	(.83)%
Unrestricted	<u>1,920,526</u>	<u>1,642,893</u>	16.90%
Total net assets	\$ <u>4,698,393</u>	<u>4,339,586</u>	8.27%

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

- The retirement of \$171,577 in principal payments on long-term debt.

Changes in net assets. The district's total revenues for the fiscal year ended June 30, 2006, were \$6,241,670. The total cost of all programs and services was \$5,882,861. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2006 and 2005, respectively.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 261,320	\$ 238,328	9.65%
Operating grants and contributions	1,087,302	1,233,294	(11.84)%
Capital Grants and contributions	14,382	21,573	(33.33)%
General revenues:			
Property taxes	797,335	777,203	2.59%
Grants and contributions not restricted	3,943,019	3,683,784	7.04%
Unrestricted investment earnings	52,030	46,350	12.25%
Sixteenth Section sources	8,715	81,498	(89.31)%
Other	77,567	45,847	69.19%
Total revenues	<u>6,241,670</u>	<u>6,127,877</u>	1.86%
Expenses:			
Instruction	3,469,312	3,327,529	4.26%
Support services	2,008,674	1,874,657	7.15%
Non-instructional	338,919	354,578	(4.42)%
Sixteenth section	3,230	19,184	(83.16)%
Interest on long-term liabilities	62,726	67,290	(6.78)%
Total expenses	<u>5,882,861</u>	<u>5,643,238</u>	4.25%
Increase (Decrease) in net assets	358,809	484,639	(25.96)%
Net Assets, July 1	4,339,586	3,829,612	13.32%
Prior Period Adjustments	(2)	25,335	(100.01)%
Net Assets, June 30	<u>\$ 4,698,393</u>	<u>\$ 4,339,586</u>	8.27%

Governmental activities. The following table presents the cost of the district's five major functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for fiscal years ending June 30, 2006 and 2005, respectively. 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.

	<u>2006</u>		<u>2005</u>	
	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>
Instruction	\$ 3,469,312	\$ (2,886,042)	\$ 3,327,529	\$ (2,630,764)
Support services	2,008,674	(1,657,695)	1,874,657	(1,453,088)
Non-instructional	338,919	89,836	354,578	20,283
Sixteenth section	3,230	(3,230)	19,184	(19,184)
Interest on long-term liabilities	62,726	(62,726)	67,290	(67,290)
Total expenses	<u>\$ 5,882,861</u>	<u>\$ (4,519,857)</u>	<u>\$ 5,643,238</u>	<u>\$ (4,150,043)</u>

- Net cost of governmental activities \$4,519,857, was financed by general revenue, which is made up of primarily property taxes \$797,335 and state revenue and federal revenue \$3,943,019.
- Investment earnings accounted for \$52,030 of funding.
- Sixteenth section sources \$8,715 and other revenue \$77,567.

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 \$2,222,014, an increase of \$240,167 due primarily to increase in funding at state level and change in personnel. \$2,097,425 or 94% of the fund balance constitutes unreserved and undesignated fund balance, of which \$710,275 is available for spending at the district's discretion. The remaining fund balance of \$124,589 or 6% is reserved or designated to indicate that it is not available for spending because it has already been committed. The majority of the commitment is toward future capital projects.

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 \$245,553, including a prior period adjustment of \$8,137, a result of increase in state funding and change in personnel from previous year. The fund balance of Other Governmental Funds showed a decrease of \$9,944, including a prior period adjustment of \$(8,137). The fund balance of the Sixteenth Section Interest Fund showed an increase of \$4,558 due primarily to interest earnings.

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 were underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the district's total capital assets were \$5,497,864, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$68,507 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$1,752,237 and total depreciation expense for the year was \$147,147, resulting in total net capital assets of \$3,745,627.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Land	\$ 93,180	\$ 93,180	0.00%
Construction in progress	5,625	413,484	(98.64)%
Buildings	2,462,987	2,445,696	0.71%
Building improvements	123,123	128,923	(4.50)%
Improvements other than buildings	820,986	482,204	70.26%
Mobile equipment	226,215	216,729	4.38%
Furniture and equipment	13,511	17,649	(23.45)%
Total	\$ 3,745,627	\$ 3,797,865	(1.38)%

Debt Administration. At June 30, 2006, the district had \$1,254,916 in general obligation bonds and other long-term debt outstanding, of which \$157,142 is due within one year. An adjustment was made to reclassify the master leases for computers and the telephone system from other loans payable to obligations under capital lease.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Three mill notes payable	\$ 623,000	\$ 667,000	(6.60)%
Obligations under capital lease	10,462	0	
Other loans payable	0	36,040	(100)%
Limited obligation bonds payable	589,000	691,000	(14.76)%
Compensated absences payable	32,454	35,889	(9.57)%
Total	\$ 1,254,916	\$ 1,429,929	(12.24)%

CURRENT ISSUES

The Union Public 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 decreased .41 over 3 years in Newton County and millage has not changed in Neshoba County over the past 3 years. In addition, 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.

Latest enrollment figures indicate that student enrollment in the district will increase 15 students. The budget for the next fiscal year has taken into account this addition 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 Public School District, P. O. Box 445, Union, MS 39365.

UNION PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

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UNION PUBLIC SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,374,940
Due from other governments	161,095
Inventories and prepaid items	25,053
Restricted assets	2,472
Capital assets, non-depreciable:	
Land	93,180
Construction in progress	5,625
Capital assets, net of accumulated depreciation:	
Buildings	2,462,987
Building improvements	123,123
Improvements other than buildings	820,986
Mobile equipment	226,215
Furniture and equipment	13,511
	<hr/>
Total Assets	6,309,187
Liabilities	
Accounts payable and accrued liabilities	331,874
Unearned revenue	9,672
Interest payable on long-term liabilities	14,332
Long-term liabilities, due within one year	
Capital related liabilities	157,142
Long-term liabilities, due beyond one year	
Capital related liabilities	1,065,320
Non-capital related liabilities	32,454
	<hr/>
Total Liabilities	1,610,794
Net Assets	
Invested in capital assets, net of related debt	2,523,165
Restricted net assets:	
Expendable:	
School-based activities	157,548
Forestry improvements	75,517
Unemployment benefits	19,165
Non-expendable:	
Sixteenth section	2,472
Unrestricted	1,920,526
	<hr/>
Total Net Assets	\$ <u><u>4,698,393</u></u>

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

UNION PUBLIC SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:					
Instruction	\$ 3,469,312	136,311	446,959		(2,886,042)
Support services	2,008,674		336,597	14,382	(1,657,695)
Non-instructional	338,919	125,009	303,746		89,836
Sixteenth section	3,230				(3,230)
Interest on long-term liabilities	62,726				(62,726)
Total Governmental Activities	\$ 5,882,861	261,320	1,087,302	14,382	(4,519,857)
General Revenues:					
Taxes:					
					756,049
					41,286
Unrestricted grants and contributions:					
					3,833,118
					109,901
					52,030
					8,715
					77,567
					<u>4,878,666</u>
					<u>358,809</u>
					4,339,586
					<u>(2)</u>
					<u>4,339,584</u>
					<u>\$ 4,698,393</u>

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

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

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Capital Projects Local Fund		
ASSETS					
Cash and cash equivalents	\$ 855,243	286,787	951,000	284,382	2,377,412
Due from other governments	66,882	786		93,427	161,095
Due from other funds	61,192				61,192
Inventories and prepaid items	16,082			8,971	25,053
Total Assets	\$ 999,399	287,573	951,000	386,780	2,624,752
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 273,042			58,832	331,874
Due to other funds				61,192	61,192
Unearned revenue				9,672	9,672
Total Liabilities	273,042	0	0	129,696	402,738
Fund Balances:					
Reserved for:					
Inventory				8,971	8,971
Prepaid items	16,082				16,082
Debt service				2,382	2,382
Unemployment benefits				19,165	19,165
Forestry improvement purposes				75,517	75,517
Permanent fund purposes				2,472	2,472
Unreserved:					
Undesignated, reported in:					
General Fund	710,275				710,275
Special Revenue Funds		287,573		148,577	436,150
Capital Projects Funds			951,000		951,000
Total Fund Balances	726,357	287,573	951,000	257,084	2,222,014
Total Liabilities and Fund Balances	\$ 999,399	287,573	951,000	386,780	2,624,752

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

UNION PUBLIC SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,222,014
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,752,237.	3,745,627
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,254,916)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(14,332)</u>
Total Net Assets - Governmental Activities	<u>\$ 4,698,393</u>

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

UNION PUBLIC SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds			Other	Total
	General Fund	Sixteenth Section Interest Fund	Capital Projects Local Fund	Governmental Funds	Governmental Funds
Revenues:					
Local sources	\$ 933,708		21,838	174,454	1,130,000
State sources	3,811,297			207,940	4,019,237
Federal sources	48,371			977,095	1,025,466
Sixteenth section sources		15,450		1,792	17,242
Total Revenues	4,793,376	15,450	21,838	1,361,281	6,191,945
Expenditures:					
Instruction	2,810,997			583,804	3,394,801
Support services	1,631,588			359,983	1,991,571
Noninstructional services				338,226	338,226
Sixteenth section		2,607		623	3,230
Facilities acquisition and construction	5,625			40,451	46,076
Debt service:					
Principal	25,577			146,000	171,577
Interest	960			57,634	58,594
Total Expenditures	4,474,747	2,607	0	1,526,721	6,004,075
Excess (Deficiency) of Revenues over Expenditures	318,629	12,843	21,838	(165,440)	187,870
Other Financing Sources (Uses):					
Insurance loss recoveries	46,997			2,728	49,725
Operating transfers in	89,381	38,000		248,018	375,399
Operating transfers out	(217,591)	(46,285)	(21,838)	(89,685)	(375,399)
Total Other Financing Sources (Uses)	(81,213)	(8,285)	(21,838)	161,061	49,725
Net Change in Fund Balances	237,416	4,558	0	(4,379)	237,595
Fund Balances:					
July 1, 2005	480,804	283,015	951,000	267,028	1,981,847
Prior period adjustments	8,137			(8,137)	
July 1, 2005, as restated	488,941	283,015	951,000	258,891	1,981,847
Increase in reserve for inventory	0	0	0	2,572	2,572
June 30, 2006	\$ 726,357	287,573	951,000	257,084	2,222,014

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

UNION PUBLIC SCHOOL DISTRICT
 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, 2006

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 237,595
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$97,842 and the depreciation expense amounted to \$147,147.	(49,305)
2. 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.	171,577
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(4,132)
4. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(2,933)
5. 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.	2,572
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>3,435</u>
Change in Net Assets of Governmental Activities	\$ <u><u>358,809</u></u>

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

UNION PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2006

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ <u>7,800</u>	<u>37,214</u>
Total Assets	\$ <u><u>7,800</u></u>	<u><u>37,214</u></u>
Liabilities		
Due to student clubs	\$ <u> </u>	<u>37,214</u>
Total Liabilities	\$ <u><u>0</u></u>	<u><u>37,214</u></u>
Net Assets		
Reserved for endowments	\$ <u>7,800</u>	
Total Net Assets	\$ <u><u>7,800</u></u>	

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

UNION PUBLIC SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
June 30, 2006

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ <u>143</u>
Total Additions	<u>143</u>
Deductions	
Scholarships awarded	<u>250</u>
Total Deductions	<u>250</u>
Change in Net Assets	<u>(107)</u>
Net Assets	
July 1, 2005	<u>7,907</u>
June 30, 2006	\$ <u><u>7,800</u></u>

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

UNION PUBLIC 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Union since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other 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 school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and 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 federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

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

Sixteenth Section Interest Fund - This is a Special Revenue Fund that is used to account for the expendable resources generated from the sixteenth section lands. The use of these funds is unrestricted.

Capital Projects Local Fund - This is a Capital Projects Fund established by transfers from the General Fund. The use of the funds is unrestricted, but is expected to be used for capital projects as determined by the school board.

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 major capital projects) that are legally restricted for specific expenditure purposes.

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

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

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2006

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

The school district deposits excess funds in 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 original maturities of three months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

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

Investments are reported at fair value.

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

I. Capital Assets.

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

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

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

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

		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 4 for details.

J. Long-term Liabilities.

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

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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

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

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

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

M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the city 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.

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

(2) 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 pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,377,412 and \$45,014, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$2,374,940 and restricted assets - \$2,472. The restricted assets represent the cash balance 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. The bank balance was \$2,633,405.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$2,633,405 was exposed to custodial credit risk.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	Due From	Due To
Governmental Funds:		
General Fund	\$ 61,192	
Other governmental funds		61,192
Total	\$ 61,192	61,192

The purpose of the interfund loans was to eliminate deficit cash balances in certain federal programs as part of normal year-end closing adjustments.

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

B. Transfers In/Out.

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 89,381	217,591
Sixteenth Section Interest Fund	38,000	46,285
Capital Projects Local Fund		21,838
Other governmental funds	248,018	89,685
Total	\$ 375,399	375,399

The purpose of the interfund transfers was for indirect costs, transfer of interest, and to finance basic operations.

(4) Capital Assets.

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

	Balance 7-1-2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2006
<u>Non-depreciable capital assets:</u>						
Land	\$ 93,180					93,180
Construction in progress	413,484	46,076		(453,935)		5,625
Total non-depreciable capital assets	506,664	46,076	0	(453,935)	0	98,805
<u>Depreciable capital assets:</u>						
Buildings	3,399,922			76,524		3,476,446
Building improvements	184,631					184,631
Improvements other than buildings	588,306			377,411		965,717
Mobile equipment	619,637	51,766	29,335			642,068
Furniture and equipment	130,197					130,197
Total depreciable capital assets	4,922,693	51,766	29,335	453,935	0	5,399,059
<u>Less accumulated depreciation for:</u>						
Buildings	954,226	59,233				1,013,459
Building improvements	55,708	5,800				61,508
Improvements other than buildings	106,102	38,629				144,731
Mobile equipment	402,908	39,347	26,402			415,853
Furniture and equipment	112,548	4,138				116,686
Total accumulated depreciation	1,631,492	147,147	26,402	0	0	1,752,237
Total depreciable capital assets, net	3,291,201	(95,381)	2,933	453,935	0	3,646,822
Governmental activities capital assets, net	\$ 3,797,865	(49,305)	2,933	0	0	3,745,627

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 77,946
Support services	65,936
Non-instructional	3,265
 Total Depreciation Expense	 \$ 147,147

(5) Long-term Liabilities.

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

	Balance 7-1-2005	Additions	Reductions	Adjustments	Balance 6-30-2006	Amounts due within one year
A. Limited obligation bonds payable	\$ 691,000		102,000		589,000	107,000
B. Three mill notes payable	667,000		44,000		623,000	45,000
C. Obligations under capital leases			25,577	36,039	10,462	5,142
D. Other loans payable	36,040			(36,040)		
E. Compensated absences payable	35,889	0	3,435	(1)	32,454	
Total	\$ 1,429,929	0	175,012	(1)	1,254,916	157,142

Adjustments were made to reclassify two capital leases that were reported in the prior year as other loans payable.

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 bonds, Series 1998	4.75%	05-01-1998	05-01-2011	\$ 1,095,000	589,000
Total				\$ 1,095,000	589,000

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 107,000	27,978	134,978
2008	112,000	22,895	134,895
2009	118,000	17,575	135,575
2010	123,000	11,970	134,970
2011	129,000	6,128	135,128
Total	\$ 589,000	86,546	675,546

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

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note	3.25 - 4.2%	04-17-2003	04-17-2018	\$ 750,000	623,000
Total				\$ 750,000	623,000

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 45,000	23,382	68,382
2008	45,000	21,897	66,897
2009	46,000	20,367	66,367
2010	48,000	18,757	66,757
2011	49,000	17,077	66,077
2012 - 2016	278,000	56,640	334,640
2017 - 2018	112,000	6,742	118,742
Total	\$ 623,000	164,862	787,862

This debt will be retired from the 1995 Note Fund.

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

C. Obligations under capital leases.

The school district has entered into two lease agreements that qualify as capital leases for accounting purposes. Leased property under these leases is composed of:

1. Master lease - phone system.
2. Master lease - computer equipment.

The leases transfer ownership of the property to the leasee upon final payments being made.

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

Year Ending June 30	Principal	Interest Charges	Total
2007	\$ 5,142	317	5,459
2008	5,320	139	5,459
Total	\$ <u>10,462</u>	<u>456</u>	<u>10,918</u>

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the General Fund.

D. Other loans payable.

This debt as reclassified as obligations under capital leases in section C above.

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

E. 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.

(6) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public 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 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2006 was 10.75% 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, 2006, 2005 and 2004 were \$351,771, \$303,114 and \$285,366, respectively, which equaled the required contributions for each year.

(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
2007	\$ 6,098
2008	6,098
2009	6,098
2010	6,098
2011	6,093
2012 - 2016	27,223
2017 - 2021	27,113
2022 - 2026	27,113
2027 - 2031	15,138
Thereafter	9,859
Total	\$ 136,931

UNION PUBLIC SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2006

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Differences in prior year audit report	\$ <u>(2)</u>
Total	\$ <u><u>(2)</u></u>

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

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	Reclassified technology fund from an other governmental fund to a General Fund.	\$ 8,137
Other governmental funds	Reclassified technology fund from an other governmental fund to a General Fund.	<u>(8,137)</u>
Total		\$ <u><u>0</u></u>

(9) Risk Management.

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

Notes to Financial Statements
For the Year Ended June 30, 2006

(10) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated March 26, 1996, creating the East Central Alternative School Consortium. 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 Neshoba County School District, Philadelphia Public School District, Newton County School District, Newton Municipal School District, Scott County School District, Forest Municipal School District, Enterprise School District and the Union Public 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 Newton County School District has been designated as the lead school district for the East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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UNION PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 902,407	933,916	933,708	31,509	(208)
State sources	3,764,113	3,811,297	3,811,297	47,184	
Federal sources	16,060	48,163	48,371	32,103	208
Total Revenues	<u>4,682,580</u>	<u>4,793,376</u>	<u>4,793,376</u>	<u>110,796</u>	<u>0</u>
Expenditures:					
Instruction	2,889,596	2,810,997	2,810,997	78,599	
Support services	1,585,615	1,631,588	1,631,588	(45,973)	
Facilities acquisition and construction		5,625	5,625	(5,625)	
Debt service:					
Principal	24,295	24,788	25,577	(493)	(789)
Interest	2,266	1,749	960	517	789
Total Expenditures	<u>4,501,772</u>	<u>4,474,747</u>	<u>4,474,747</u>	<u>27,025</u>	<u>0</u>
Excess of Revenues over Expenditures	<u>180,808</u>	<u>318,629</u>	<u>318,629</u>	<u>137,821</u>	<u>0</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		46,997	46,997	46,997	
Operating transfers in	136,869	217,163	89,381	80,294	(127,782)
Operating transfers out	(343,382)	(345,373)	(217,591)	(1,991)	127,782
Total Other Financing Sources (Uses)	<u>(206,513)</u>	<u>(81,213)</u>	<u>(81,213)</u>	<u>125,300</u>	<u>0</u>
Net Change in Fund Balances	<u>(25,705)</u>	<u>237,416</u>	<u>237,416</u>	<u>263,121</u>	<u>0</u>
Fund Balances:					
July 1, 2005	471,078	488,518	480,804	17,440	(7,714)
Prior period adjustments		423	8,137	423	7,714
July 1, 2005, as restated	<u>471,078</u>	<u>488,941</u>	<u>488,941</u>	<u>17,863</u>	<u>0</u>
June 30, 2006	\$ <u>445,373</u>	<u>726,357</u>	<u>726,357</u>	<u>280,984</u>	<u>0</u>

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

UNION PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 18,000	15,450	15,450	(2,550)	
Total Revenues	<u>18,000</u>	<u>15,450</u>	<u>15,450</u>	<u>(2,550)</u>	<u>0</u>
Expenditures:					
Sixteenth section	1,857	2,607	2,607	(750)	
Total Expenditures	<u>1,857</u>	<u>2,607</u>	<u>2,607</u>	<u>(750)</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>16,143</u>	<u>12,843</u>	<u>12,843</u>	<u>(3,300)</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating transfers in	38,000	38,000	38,000		
Operating transfers out		(46,285)	(46,285)	(46,285)	
Total Other Financing Sources (Uses)	<u>38,000</u>	<u>(8,285)</u>	<u>(8,285)</u>	<u>(46,285)</u>	<u>0</u>
Net Change in Fund Balances	<u>54,143</u>	<u>4,558</u>	<u>4,558</u>	<u>(49,585)</u>	<u>0</u>
Fund Balances:					
July 1, 2005	<u>150,000</u>	<u>283,015</u>	<u>283,015</u>	<u>133,015</u>	<u>0</u>
June 30, 2006	\$ <u>204,143</u>	<u>287,573</u>	<u>287,573</u>	<u>83,430</u>	<u>0</u>

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

UNION PUBLIC SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2006

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 major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

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UNION PUBLIC SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

UNION PUBLIC SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 19,344
Child nutrition cluster:		
School breakfast program	10.553	77,332
National school lunch program	10.555	186,029
Total child nutrition cluster		<u>263,361</u>
Total U.S. Department of Agriculture		<u>282,705</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company: The schools and libraries program of the universal service fund		
Total Federal Communications Commission	32.XXX	<u>16,608</u> <u>16,608</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	208
Total		<u>208</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	244,759
Safe and drug-free schools and communities - state grants	84.186	4,550
Eisenhower professional development state grants	84.281	53,167
Twenty-first century community learning centers	84.287	96,380
State grants for innovative programs	84.298	2,771
Education technology state grants	84.318	15,242
Comprehensive school reform demonstration	84.332	13,220
Rural education	84.358	16,901
Improving teacher quality - state grants	84.367	408
Grants for state assessments and related activities	84.369	5,298
Hurricane education recovery	84.938	73,630
Total		<u>526,326</u>
Special education cluster:		
Special education - grants to states	84.027	155,587
Special education - preschool grants	84.173	5,599
Total special education cluster		<u>161,186</u>
Total passed-through Mississippi Department of Education		<u>687,512</u>
Total U.S. Department of Education		<u>687,720</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	8,309
Total passed-through Mississippi Department of Education		<u>8,309</u>
Total U.S. Department of Health and Human Services		<u>8,309</u>

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Homeland Security</u>		
Passed-through the Mississippi Emergency Management Agency:		
Disaster grants - public assistance (presidentially declared disasters)	97.036	8,475
Total U.S. Department of Homeland Security		<u>8,475</u>
Total for All Federal Awards		\$ <u>1,003,817</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 statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

UNION PUBLIC SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2006

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 4,316,702	3,331,076	303,600	224,141	457,885
Other	<u>1,687,373</u>	<u>480,083</u>	<u>57,831</u>	<u>13,202</u>	<u>1,136,257</u>
Total	\$ <u>6,004,075</u>	<u>3,811,159</u>	<u>361,431</u>	<u>237,343</u>	<u>1,594,142</u>
Total number of students	<u>835</u>				
Cost per student	\$ <u>7,190</u>	<u>4,564</u>	<u>433</u>	<u>284</u>	<u>1,909</u>

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

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

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

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

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

UNION PUBLIC SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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
Union Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Union Public School District as of and for the year ended June 30, 2006, which collectively comprise the Union Public School District's basic financial statements and have issued our report thereon dated August 3, 2007. 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

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the school district's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 06-1 and 06-2.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions referred to above are material weaknesses.

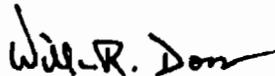
Compliance and Other Matters

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 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated August 3, 2007, which is included in this report.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 3, 2007



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Union Public School District

Compliance

We have audited the compliance of the Union Public 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 its major federal program for the year ended June 30, 2006. The school district's major federal program is identified in the summary of auditor's results section of the 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 the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

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

Internal Control Over Compliance

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 3, 2007

UNION PUBLIC SCHOOL DISTRICT

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

UNION PUBLIC SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Union Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Union Public School District as of and for the year ended June 30, 2006, which collectively comprise Union Public School District's basic financial statements and have issued our report thereon dated August 3, 2007. 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), 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 \$10,699 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Finding

Section 29-3-57, Miss. Code Ann. (1972), requires the superintendent of education to collect promptly all rentals due on sixteenth section leases.

We found that four out of the district's 19 leases were more than 60 days past due with no documentation that board action was taken as required by Section 29-3-57, Miss. Code Ann. (1972).

Inadequate controls surrounding sixteenth section leases resulted in noncompliance with Section 29-3-5, Miss. Code Ann. (1972).

Noncompliance with Section 29-3-57, Miss. Code Ann. (1972), could result in the district not receiving rental income for the use of the sixteenth section lands and forfeiture of any interest that the district could have earned on this income.

Recommendation

We recommend that the district comply with Section 29-3-57, Miss. Code Ann. (1972), when leases are in default for more than 60 days from the date due by declaring the lease terminated unless the board of education finds extenuating circumstances are present and records such action in the school board minutes.

School District's Response

Any lease in default for more than 60 days from the date due will be brought to the board of trustees for declaration of termination of lease or the extenuating circumstances identified for proper board action.

2. Finding

During the fiscal year audited, Section 31-7-13, Miss. Code Ann. (1972), allowed purchases involving an expenditure of more than \$3,500 but not more than \$15,000, exclusive of freight and shipping charges, to be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids were obtained. Further, this section also states that if any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and a narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid. No agency or governing authority shall accept a bid based on items not included in the specifications.

We found that the district accepted a bid for purchasing building materials in the amount of \$7,358. The other bid received was in the amount of \$7,279. No calculations or narrative summary showing that the accepted bid was determined to be the lowest and best bid was recorded in the board minutes. The only justification for accepting this bid was a note written on the purchase requisition that the high quote was chosen because it was from a local vendor.

This noncompliance resulted from the district wanting to accept a local vendor's bid for purchasing building materials.

The district paid more for the supplies than was necessary according to the bids received. In addition, Section 31-7-13, Miss. Code Ann. (1972), includes the penalties for not complying with state purchasing laws.

Recommendation

We recommend that the district comply with Section 31-7-13, Miss. Code Ann. (1972), which requires that the lowest and best bid be accepted for purchases. If a bid other than the lowest bid actually submitted is accepted, the district should place on its minutes detailed calculations and a narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid.

School District's Response

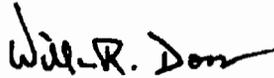
The district will comply with Section 31-7-13, Miss. Code Ann. (1972), which requires that the lowest and best bid be accepted for purchases. If a bid other than the lowest bid actually submitted is accepted, the district will place on its minutes detailed calculations and a narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid.

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

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 3, 2007

UNION PUBLIC SCHOOL DISTRICT

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UNION PUBLIC SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

UNION PUBLIC SCHOOL DISTRICT

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UNION PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal program: | Unqualified |
| 5. | Internal control over major program: | |
| a. | Material weaknesses identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | None reported |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as a major program:
Child nutrition cluster
CFDA #10.553
CFDA #10.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit findings 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 PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be Material Weaknesses

Proper Forms Should Be Filed for All Retirees

06-1. Finding

The Public Employees' Retirement System of Mississippi (PERS) requires school districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree.

During our tests of internal controls related to four retirees rehired by the school district, we noted that PERS Form 4B was not filed for two retirees that were rehired as substitute teachers during the school year. In addition, one PERS Form 4B was filed one month after the date of rehire as evidenced by the employee's signature.

These internal control deficiencies were the result of inadequate training, due to the timing of the district hiring a new payroll clerk.

The retirees' retirement income could be effected by the district not filing PERS Form 4B with PERS upon re-employment of retirees each year. In addition, the Mississippi Public Employees Retirement System may assess a penalty per occurrence payable by the district for not filing PERS Form 4B within five days of re-employment.

Recommendation

We recommend the district implement procedures to insure that the district files PERS Form 4B for all retirees rehired by the school district within five days of the employment.

Payroll Expenditures Should Be Supported by Adequate Documentation

06-2. Finding

Management is responsible for insuring that all payroll expenditures made by the district are adequately documented.

During our tests of internal controls related to 33 payroll expenditures, we found that the supporting documentation for nonexempt employees was incomplete or was not used to calculate the amount of salary an employee had earned. In addition, there was no state or federal withholding form for one school board member and pay rates for part-time workers and substitute cafeteria workers were not always approved in the board minutes.

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation. In addition, adequate documentation was not available to support deductions for state and federal withholdings.

Payment of wages without adequate records could result in employees being improperly compensated.

UNION PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Omitting documentation of approval of part-time and substitute cafeteria workers and their pay from the board minutes could result in payment to unauthorized employees or payment of unauthorized amounts.

Recommendation

We recommend the district maintain adequate records for all nonexempt personnel to support payroll expenditures. In addition, state and federal withholding forms should be on file for all employees. Further, all employees and their respective pay rates should be approved in the board minutes.

Section 3: Federal Award Findings and Questioned Costs

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

UNION PUBLIC SCHOOL DISTRICT

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UNION PUBLIC SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

UNION PUBLIC SCHOOL DISTRICT

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Union Public School District

Financial & Compliance Audit Division

As required by Section ____ .315© of OMP Circular A-133, the Union Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2006:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
06-01	<p>a. Name of contact person responsible for Corrective Action: Bertha Darby, Business Manager, 601-774-9579 ext 1002</p> <p>b. Corrective Action Planned: All newly hired part time employees will complete a form identifying whether or not they are currently receiving retirement benefits from PERS. If so, a PERS Form 4B is completed and filed with PERS within five days from their date of employment. This requirement was already in place in a prior year. Newly hired staff in payroll department was not aware of this requirement.</p> <p>c. Anticipated Completion Date: This step was completed for FY 2003 and addressed again in fiscal year 2005-2006.</p>
06-02	<p><u>Payroll Expenditure Should be Supported by Adequate Documentation</u></p> <p>a. Name of contact person responsible for Corrective Action: Bertha Darby, Business Manager, 601-774-9579 ext 1002</p> <p>b. Corrective Action Planned: Non exempt employees' salary for the school year is determined by calculating an hourly rate and the number of hours per day and days worked for the school year and set up to be paid in twelve monthly installments. Time clocks are located at each campus for clocking in and out. Time sheets for all nonexempt employees will be generated and approved by the campus principals and turned into the central office at the end of each pay period. Any absences or overtime hours identified on the time sheets will be reflected in the employees wage compensation for that month.</p>

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All employees will be required to complete a state and federal withholding form and this requirement is listed on the checklist for newly hired employees to be checked off by the payroll department.

Any part time worker or substitutes will be approved by the school board and addressed in the board minutes. A line item on the newly hired checklist has been added to identify that the board has approved the hiring and their pay.

Anticipated Completion Date:

This corrective action is in place and complete as of July 1, 2007.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael McInnis". The signature is written in a cursive style with a large initial "M".

Dr. Michael McInnis
Superintendent

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