

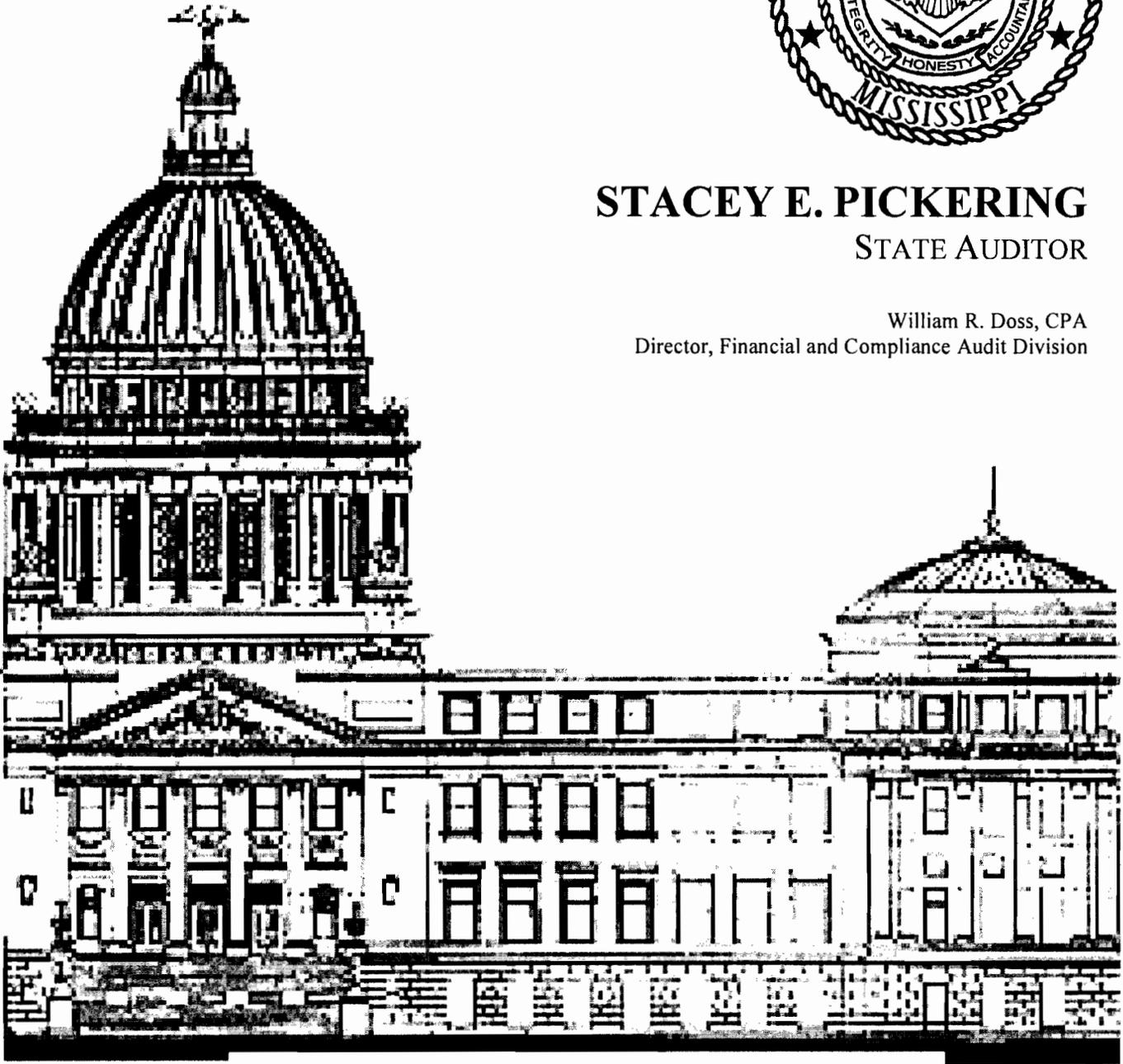
UNION COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2007



STACEY E. PICKERING
STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division



A Report from the Education Audit Section

www.osa.state.ms.us

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UNION COUNTY SCHOOL DISTRICT

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UNION COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

UNION COUNTY SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Union County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2007, which collectively comprise the Union County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District, as of June 30, 2007, 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.

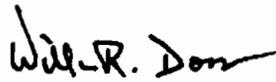
In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2008, on our consideration of the Union County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 41 and 42 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 Union County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis 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.



STACEY E. PICKERING
State Auditor



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

May 13, 2008

UNION COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNION COUNTY SCHOOL DISTRICT

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UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The discussion and analysis of Union County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2007 increased \$420,392 which represents an approximate 5% increase from fiscal year 2006.
- General revenues account for \$15,152,382 in revenue, or 81% of all revenues for fiscal year 2007. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,624,435 or 19% of total revenues for 2007.
- The District had \$18,356,425 in expenses for fiscal year 2007. \$3,624,435 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$15,152,382 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,524,779 in revenues and \$14,947,438 in expenditures. The General Fund's fund balance increased by \$201,529 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$49,692 from the prior year. The decrease for 2007 was due to the disposal of two buses, a copier and a computer as well as the increase in accumulated depreciation.
- Long-term debt decreased by \$343,213 from the prior year. This decrease was due to the annual payment on long-term debt outstanding.

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-

UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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

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

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

UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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.

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

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.

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 government's financial position. In the case of the District, assets exceeded liabilities by \$8,990,202 as of June 30, 2007.

By far the largest portion of the District's net assets (57%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The district uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2007, and June 30, 2006.

Condensed Statement of Net Assets

| | <u>June 30, 2007</u> | <u>June 30, 2006</u> | <u>Total Dollar Variance</u> | <u>Total Percentage Variance</u> |
|--|----------------------|----------------------|----------------------------------|--------------------------------------|
| Current assets | \$ 5,159,727 | \$ 5,068,605 | \$ 91,122 | 1.80% |
| Capital assets, net | 9,749,780 | 9,799,472 | (49,692) | (0.50)% |
| Total assets | \$ 14,909,507 | \$ 14,868,077 | \$ 41,430 | 0.27% |
| Current liabilities | \$ 1,108,658 | \$ 1,144,407 | \$ (35,749) | (3.12)% |
| Long-term debt outstanding | 4,810,647 | 5,153,860 | (343,213) | (6.65)% |
| Total liabilities | \$ 5,919,305 | \$ 6,298,267 | \$ (378,962) | (6.01)% |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | \$ 5,115,660 | \$ 4,831,142 | \$ 284,518 | 5.88% |
| Restricted | 933,978 | 1,013,869 | (79,891) | (7.87)% |
| Unrestricted | 2,940,564 | 2,724,799 | 215,765 | 7.91% |
| Total net assets | \$ 8,990,202 | \$ 8,569,810 | \$ 420,392 | 4.90% |

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

- Decrease in net capital assets in the amount of \$49,692
- Decrease in long-term debt of \$343,213.

UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007, was \$18,776,817. The total cost of all programs and services for 2007 was \$18,356,425. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007, and June 30, 2006.

| Changes in Net Assets | | | | |
|---|---------------------|---------------------|----------------------------------|--------------------------------------|
| | 2007 | 2006 | Total Dollar Variance | Total Percentage Variance |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$1,275,662 | \$1,342,324 | \$ (66,662) | (4.97)% |
| Operating grants and contributions | 2,348,773 | 2,571,181 | (222,408) | (8.65)% |
| General revenues: | | | | |
| Property taxes | 2,009,435 | 2,190,495 | (181,060) | (8.27)% |
| Grants and contributions not restricted | 12,824,438 | 12,243,858 | 580,580 | 4.74% |
| Other | 318,509 | 207,386 | 111,123 | 53.58% |
| Total revenues | \$18,776,817 | \$18,555,244 | \$ 221,573 | 1.19% |
| Expenses: | | | | |
| Instruction | \$11,397,179 | \$11,049,754 | \$ 347,425 | 3.14% |
| Support services | 5,176,510 | 5,175,979 | 531 | 0.01% |
| Non-instructional | 1,562,321 | 1,593,151 | (30,830) | (1.94)% |
| Interest and other expense on long-term liabilities | 220,415 | 194,965 | 25,450 | 13.05% |
| Total expenses | \$18,356,425 | \$18,013,849 | \$ 342,576 | 1.90% |
| Change in Net Assets | \$420,392 | \$541,395 | \$ (121,003) | (22.35)% |

UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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

Net Cost of Governmental Activities

| | <u>2007</u> | | <u>2006</u> | |
|---|-----------------------|---------------------------------|----------------------|---------------------------------|
| | <u>Total Expenses</u> | <u>Net(Expense) Revenue</u> | <u>Total Expense</u> | <u>Net(Expense) Revenue</u> |
| Instruction | \$ 11,397,179 | \$ (9,611,589) | \$ 11,049,754 | \$ (8,549,496) |
| Support services | 5,176,510 | (4,686,832) | 5,175,979 | (5,097,766) |
| Non-instructional | 1,562,321 | (213,154) | 1,593,151 | (258,117) |
| Interest and other charges related to long-term liabilities | 220,415 | (220,415) | 194,965 | (194,965) |
| Total expenses | \$ 18,356,425 | \$ (14,731,990) | \$ 18,013,849 | \$ (14,100,344) |

- Net cost of governmental activities, \$14,731,990 was financed by general revenue, which is made up of primarily property taxes of \$2,009,435 and unrestricted state and federal grants of \$12,824,438.
- Investment earnings accounted for \$234,393 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,117,587, an increase of \$133,992. \$3,482,126 or 85% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$635,461 or 15% is reserved or designated to indicate that it is not available for spending because it has already been committed.

UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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 \$201,529. The fund balance of Other Governmental Funds, including the effect of the increase in the reserve for inventory, showed a decrease in the amount of \$67,537. There were no other major funds in the district.

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$15,011,491, including land, school buildings, building improvements, improvements other than buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$307,563 from the prior year. Total accumulated depreciation as of June 30, 2007, was \$5,261,711 and total depreciation expense for the year was \$412,175, resulting in total net assets of \$9,749,780.

**Capital Assets at June 30
(Net of Depreciation)**

| | <u>2007</u> | <u>2006</u> | <u>Total Percentage Change 2006-2007</u> |
|-----------------------------------|----------------------------|----------------------------|--|
| Land | \$ 351,601 | \$ 351,601 | 0% |
| Buildings | 6,124,479 | 8,638,127 | (29.10)% |
| Building improvements | 2,249,712 | | (100.00)% |
| Improvements other than buildings | 142,224 | 151,964 | (6.41)% |
| Mobile equipment | 764,193 | 581,575 | 31.40% |
| Furniture and equipment | 117,571 | 76,205 | 54.28% |
| Totals | <u>\$ 9,749,780</u> | <u>\$ 9,799,472</u> | (.51)% |

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

UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Debt Administration. At June 30, 2007, the District had \$4,810,647 in long-term debt outstanding, of which \$580,781 is due within one year. In addition, the liability for compensated absences increased \$6,171 from the prior year.

Outstanding Long-Term Debt at June 30

| | <u>2007</u> | <u>2006</u> | <u>Total Percentage Change 2006-2007</u> |
|--|----------------------------|----------------------------|--|
| Limited obligation bonds payable | \$3,430,000 | \$ 3,640,000 | (5.77)% |
| Three mill notes payable | 188,970 | 173,000 | 9.23% |
| Obligations under energy efficiency lease | 1,015,150 | 1,155,330 | (12.13)% |
| Other loans payable | 29,806 | 44,980 | (33.73)% |
| Compensated absences payable | 146,721 | 140,550 | 4.39% |
| Totals | <u>\$ 4,810,647</u> | <u>\$ 5,153,860</u> | (6.66)% |

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

CURRENT ISSUES

The Union County School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment decreased by 19 students from the previous year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

UNION COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

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UNION COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 4,098,268 |
| Restricted assets | 181,434 |
| Due from other governments | 835,697 |
| Other receivables, net | 12,488 |
| Inventories | 31,840 |
| Capital assets, non-depreciable: | |
| Land | 351,601 |
| Capital assets, net of accumulated depreciation: | |
| Buildings | 6,124,479 |
| Building improvements | 2,249,712 |
| Improvements other than buildings | 142,224 |
| Mobile equipment | 764,193 |
| Furniture and equipment | 117,571 |
| Total Assets | <u>14,909,507</u> |
| Liabilities | |
| Accounts payable and accrued liabilities | 1,037,820 |
| Unearned revenue | 4,320 |
| Interest payable on long-term liabilities | 66,518 |
| Long-term liabilities, due within one year | |
| Capital related liabilities | 559,861 |
| Non-capital related liabilities | 20,920 |
| Long-term liabilities, due beyond one year | |
| Capital related liabilities | 4,074,259 |
| Non-capital related liabilities | 155,607 |
| Total Liabilities | <u>5,919,305</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 5,115,660 |
| Restricted net assets: | |
| Expendable: | |
| School-based activities | 396,875 |
| Debt service | 473,323 |
| Unemployment benefits | 63,780 |
| Unrestricted | 2,940,564 |
| Total Net Assets | <u>\$ 8,990,202</u> |

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

UNION COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

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 |
| Governmental Activities: | | | | | |
| Instruction | \$ 11,397,179 | 728,327 | 1,057,263 | | (9,611,589) |
| Support services | 5,176,510 | | 489,678 | | (4,686,832) |
| Non-instructional | 1,562,321 | 547,335 | 801,832 | | (213,154) |
| Interest and other expenses on long-term liabilities | 220,415 | | | | (220,415) |
| Total Governmental Activities | \$ 18,356,425 | 1,275,662 | 2,348,773 | 0 | (14,731,990) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| | | | | | 1,816,967 |
| | | | | | 192,468 |
| Unrestricted grants and contributions: | | | | | |
| | | | | | 12,665,208 |
| | | | | | 159,230 |
| | | | | | 234,393 |
| | | | | | 84,116 |
| | | | | | <u>15,152,382</u> |
| | | | | | <u>420,392</u> |
| | | | | | <u>8,569,810</u> |
| | | | | | <u>\$ 8,990,202</u> |

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

UNION COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2007

Exhibit C

| | <u>Major Funds</u> | Other | Total |
|--|-----------------------------|-----------------------------|-----------------------------|
| | General | Governmental | Governmental |
| | <u>Fund</u> | <u>Funds</u> | <u>Funds</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,360,252 | 738,016 | 4,098,268 |
| Investments | | 181,434 | 181,434 |
| Due from other governments | 418,343 | 417,354 | 835,697 |
| Due from other funds | 208,702 | | 208,702 |
| Inventories | | 31,840 | 31,840 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | \$ <u>3,987,297</u> | <u>1,368,644</u> | <u>5,355,941</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 870,206 | 167,614 | 1,037,820 |
| Due to other funds | | 196,214 | 196,214 |
| Unearned revenue | | 4,320 | 4,320 |
| Total Liabilities | <u>870,206</u> | <u>368,148</u> | <u>1,238,354</u> |
| Fund Balances: | | | |
| Reserved for: | | | |
| Inventory | | 31,840 | 31,840 |
| Debt service | | 539,841 | 539,841 |
| Unemployment benefits | | 63,780 | 63,780 |
| Unreserved | | | |
| Undesignated, reported in: | | | |
| General Fund | 3,117,091 | | 3,117,091 |
| Special Revenue Funds | | 365,035 | 365,035 |
| Total Fund Balances | <u>3,117,091</u> | <u>1,000,496</u> | <u>4,117,587</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities and Fund Balances | \$ <u>3,987,297</u> | <u>1,368,644</u> | <u>5,355,941</u> |

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

UNION COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2007

Exhibit C-1

| | <u>Amount</u> |
|--|----------------------------|
| Total Fund Balance - Governmental Funds | \$ 4,117,587 |
| 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 \$5,261,711. | 9,749,780 |
| 2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | (4,810,647) |
| 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>(66,518)</u> |
| Total Net Assets - Governmental Activities | \$ <u><u>8,990,202</u></u> |

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

UNION COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2007

| | Major Funds | Other | Total |
|--|---------------------|------------------|-------------------|
| | General | Governmental | Governmental |
| | Fund | Funds | Funds |
| Revenues: | | | |
| Local sources | \$ 2,928,755 | 674,853 | 3,603,608 |
| State sources | 12,421,595 | 608,376 | 13,029,971 |
| Federal sources | 174,429 | 1,968,809 | 2,143,238 |
| Total Revenues | <u>15,524,779</u> | <u>3,252,038</u> | <u>18,776,817</u> |
| Expenditures: | | | |
| Instruction | 9,878,436 | 1,369,072 | 11,247,508 |
| Support services | 4,414,714 | 814,448 | 5,229,162 |
| Noninstructional services | 455,273 | 1,158,582 | 1,613,855 |
| Debt service: | | | |
| Principal | 155,354 | 383,000 | 538,354 |
| Interest | 43,661 | 168,924 | 212,585 |
| Other | | 709 | 709 |
| Total Expenditures | <u>14,947,438</u> | <u>3,894,735</u> | <u>18,842,173</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>577,341</u> | <u>(642,697)</u> | <u>(65,356)</u> |
| Other Financing Sources (Uses): | | | |
| Proceeds of loans | | 188,970 | 188,970 |
| Operating transfers in | 75,000 | 451,256 | 526,256 |
| Operating transfers out | (450,812) | (75,444) | (526,256) |
| Total Other Financing Sources (Uses) | <u>(375,812)</u> | <u>564,782</u> | <u>188,970</u> |
| Net Change in Fund Balances | <u>201,529</u> | <u>(77,915)</u> | <u>123,614</u> |
| Fund Balances: | | | |
| July 1, 2006 | <u>2,915,562</u> | <u>1,068,033</u> | <u>3,983,595</u> |
| Increase in reserve for inventory | <u>0</u> | <u>10,378</u> | <u>10,378</u> |
| June 30, 2007 | <u>\$ 3,117,091</u> | <u>1,000,496</u> | <u>4,117,587</u> |

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

UNION COUNTY 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, 2007

Exhibit D-1

| | <u>Amount</u> |
|---|-------------------|
| Net Change in Fund Balances - Governmental Funds | \$ 123,614 |
| 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 \$367,534 and the depreciation expense amounted to \$412,175. | (44,641) |
| 2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets. | (188,970) |
| 3. 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. | 538,354 |
| 4. 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. | (7,121) |
| 5. 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. | (5,051) |
| 6. 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. | 10,378 |
| 7. 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>(6,171)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ 420,392</u> |

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

UNION COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2007

Exhibit E

| | | <u>Agency Funds</u> |
|---------------------------|----|-------------------------|
| Assets | | |
| Cash and cash equivalents | \$ | <u>87,391</u> |
| Total Assets | \$ | <u><u>87,391</u></u> |
| Liabilities | | |
| Due to other funds | \$ | 12,488 |
| Due to student clubs | | <u>74,903</u> |
| Total Liabilities | \$ | <u><u>87,391</u></u> |

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

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2007

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

The school district's basic financial statements 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 COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2007

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.

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.

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

FIDUCIARY FUNDS

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

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

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, 2003* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 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.

H. Inventories and Prepaid Items.

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

The costs of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

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

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

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.

| | <u>Capitalization Policy</u> | <u>Estimated Useful Life</u> |
|--------------------------------------|----------------------------------|----------------------------------|
| 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.

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.

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

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 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.

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

M. Property Taxes.

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

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Cash and Cash Equivalents, and Investments.

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,098,268 and \$87,391, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$4,098,268. The bank balance was \$4,870,290.

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, 2007, none of the district's bank balance of \$4,870,290 was exposed to custodial credit risk.

Investments.

As of June 30, 2007, the district had the following investments:

| <u>Investment Type</u> | <u>Maturities (in years)</u> | <u>Fair Value</u> | <u>Rating</u> |
|---|------------------------------|--------------------------|---------------|
| Hancock Horizon Treasury Securities Money Market Mutual Fund | Less than 1 year | \$ <u>181,434</u> | AAAm |
| Total Investments | | \$ <u><u>181,434</u></u> | |

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, the district did not have any investments to which this would apply.

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

(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 | \$ 208,702 | |
| Other governmental funds | | 196,214 |
| Total | 208,702 | 196,214 |
| Fiduciary Funds | 0 | 12,488 |
| Total | \$ 208,702 | 208,702 |

The interfund fund loans were established by the district to cover the negative balances in the pooled bank accounts.

B. Transfers In/Out.

| | Transfer In | Transfers Out |
|--------------------------|-------------|------------------|
| Governmental Funds: | | |
| General Fund | \$ 75,000 | 450,812 |
| Other governmental funds | 451,256 | 75,444 |
| Total | \$ 526,256 | 526,256 |

The primary purpose of interfund transfers was to provide funds for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

(4) Capital Assets.

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

| | Balance 7-1-2006 | Additions | Retirements | Adjustments* | Balance 6-30-2007 |
|--|---------------------|-----------|-------------|--------------|----------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 351,601 | | | | 351,601 |
| Total non-depreciable capital assets | 351,601 | 0 | 0 | 0 | 351,601 |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings | 11,731,400 | | | (2,756,486) | 8,974,914 |
| Building improvements | | | | 2,756,486 | 2,756,486 |
| Improvements other than buildings | 243,495 | | | | 243,495 |
| Mobile equipment | 2,111,137 | 297,359 | 49,454 | | 2,359,042 |
| Furniture and equipment | 266,295 | 70,175 | 10,517 | | 325,953 |
| Total depreciable capital assets | 14,352,327 | 367,534 | 59,971 | 0 | 14,659,890 |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Buildings | 3,093,273 | 153,677 | | (396,515) | 2,850,435 |
| Building improvements | | 110,259 | | 396,515 | 506,774 |
| Improvements other than buildings | 91,531 | 9,740 | | | 101,271 |
| Mobile equipment | 1,529,562 | 109,795 | 44,508 | | 1,594,849 |
| Furniture and equipment | 190,090 | 28,704 | 10,412 | | 208,382 |
| Total accumulated depreciation | 4,904,456 | 412,175 | 54,920 | 0 | 5,261,711 |
| Total depreciable capital assets, net | 9,447,871 | (44,641) | 5,051 | 0 | 9,398,179 |
| Governmental activities capital assets, net | \$ 9,799,472 | (44,641) | 5,051 | 0 | 9,749,780 |

* Adjustments were made to correctly report building improvements separately from buildings and also the related accumulated depreciation.

Depreciation expense was charged to the following governmental functions:

| | Amount |
|----------------------------|------------|
| Instruction | \$ 145,660 |
| Support services | 238,113 |
| Non-instructional | 28,402 |
| Total Depreciation Expense | \$ 412,175 |

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

(5) Long-term Liabilities.

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

| | Balance 7-1-2006 | Additions | Reductions | Adjustments | Balance 6-30-2007 | Amounts due within one year |
|--|---------------------|----------------|----------------|-------------|----------------------|-----------------------------------|
| A. Limited obligation bonds payable | \$ 3,640,000 | | 210,000 | | 3,430,000 | 225,000 |
| B. Three mill notes payable | 173,000 | 188,970 | 173,000 | | 188,970 | 188,970 |
| C. Obligations under energy efficiency lease | 1,155,330 | | 140,180 | | 1,015,150 | 145,891 |
| D. Other loans payable | 44,980 | | 15,174 | | 29,806 | 14,545 |
| E. Compensated absences payable | 140,550 | 6,171 | | | 146,721 | 6,375 |
| Total | \$ 5,153,860 | 195,141 | 538,354 | 0 | 4,810,647 | 580,781 |

A. Limited obligation bonds payable.

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

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------------------------|------------------|---------------|------------------|---------------------|-----------------------|
| State aid capital improvement | 4.6-6.1% | 03-01-1998 | 02-01-2018 | \$ 4,585,000 | 3,430,000 |
| Total | | | | \$ 4,585,000 | 3,430,000 |

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

| | Year Ending June 30 | Principal | Interest | Total |
|--------------|------------------------|------------------|------------------|------------------|
| 2008 | \$ | 225,000 | 150,329 | 375,329 |
| 2009 | | 235,000 | 140,351 | 375,351 |
| 2010 | | 245,000 | 129,820 | 374,820 |
| 2011 | | 255,000 | 118,693 | 373,693 |
| 2012 | | 270,000 | 106,745 | 376,745 |
| 2013 - 2017 | | 1,535,000 | 332,360 | 1,867,360 |
| 2018 | | 665,000 | 21,938 | 686,938 |
| Total | \$ | 3,430,000 | 1,000,236 | 4,430,236 |

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 Bond Retirement Fund.

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

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 | 4.25% | 03-07-2007 | 03-07-2008 | \$ 188,970 | 188,970 |
| Total | | | | \$ 188,970 | 188,970 |

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

| Year Ending June 30 | Principal | Interest | Total |
|---------------------|------------|----------|---------|
| 2008 | \$ 188,970 | 8,031 | 197,001 |
| Total | \$ 188,970 | 8,031 | 197,001 |

This debt will be retired from the Bus Loan Repayment Fund.

C. Obligations under energy efficiency lease.

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

| Year Ending June 30 | Principal | Interest and Maintenance Charges | Total |
|---------------------|--------------|----------------------------------|-----------|
| 2008 | \$ 145,891 | 37,950 | 183,841 |
| 2009 | 151,834 | 32,007 | 183,841 |
| 2010 | 158,020 | 25,821 | 183,841 |
| 2011 | 164,458 | 19,383 | 183,841 |
| 2012 | 171,159 | 12,683 | 183,842 |
| 2013 - 2014 | 223,788 | 6,014 | 229,802 |
| Total | \$ 1,015,150 | 133,858 | 1,149,008 |

An energy efficiency lease agreement dated March 4, 2003, was executed by and between the district, the lessee, and LaSalle Bank National Association, the lessor.

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

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

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from the District Maintenance Fund.

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

D. Other loans payable.

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

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------------------|------------------|---------------|------------------|-------------------|-----------------------|
| Asbestos abatement loan | 0% | 06-01-1990 | 11-30-2009 | \$ 183,134 | 25,435 |
| Asbestos abatement loan | 0% | 06-27-1991 | 05-30-2008 | 84,800 | 4,371 |
| Total | | | | \$ <u>267,934</u> | <u>29,806</u> |

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

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|------------------|----------|---------------|
| 2008 | \$ 14,545 | | 14,545 |
| 2009 | 10,175 | | 10,175 |
| 2010 | 5,086 | | 5,086 |
| Total | \$ <u>29,806</u> | <u>0</u> | <u>29,806</u> |

This debt will be retired from the District Maintenance Fund.

L. 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 employer rate for fiscal year ended June 30, 2007, was 11.30% 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, 2007, 2006 and 2005 were \$1,117,760, \$1,050,343 and \$1,010,71, respectively, which equaled the required contributions for each year.

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2007

(7) 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 121 school districts and one community college and covers risks of loss arising from injuries to the member'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 \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The district has not had an additional assessment for excess losses incurred by the pool.

(8) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated March 20, 1996, creating the New Albany/South Tippah/Union County Alternative School Consortium (NASTUC). This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the New Albany Public School District, South Tippah School District and Union County School District.

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

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

(9) Vocational School Center.

The school district entered into a Vocational Educational Agreement dated April 4, 1969, creating the New Albany - Union County Vocational Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the New Albany Public School District and the Union County School District.

UNION COUNTY SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2007

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

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

UNION COUNTY SCHOOL DISTRICT

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UNION COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY SCHOOL DISTRICT

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UNION COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|---------------------|-------------------|------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| Revenues: | | | | | |
| Local sources | \$ 3,029,453 | 2,948,232 | 2,928,755 | (81,221) | (19,477) |
| State sources | 12,219,354 | 12,308,069 | 12,421,595 | 88,715 | 113,526 |
| Federal sources | 101,000 | 174,429 | 174,429 | 73,429 | |
| Total Revenues | <u>15,349,807</u> | <u>15,430,730</u> | <u>15,524,779</u> | <u>80,923</u> | <u>94,049</u> |
| Expenditures: | | | | | |
| Instruction | 9,644,146 | 9,878,436 | 9,878,436 | (234,290) | |
| Support services | 4,636,729 | 4,414,710 | 4,414,714 | 222,019 | (4) |
| Noninstructional services | 401,961 | 455,277 | 455,273 | (53,316) | 4 |
| Debt service: | | | | | |
| Principal | 155,353 | 154,888 | 155,354 | 465 | (466) |
| Interest | 43,662 | 44,127 | 43,661 | (465) | 466 |
| Total Expenditures | <u>14,881,851</u> | <u>14,947,438</u> | <u>14,947,438</u> | <u>(65,587)</u> | <u>0</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>467,956</u> | <u>483,292</u> | <u>577,341</u> | <u>15,336</u> | <u>94,049</u> |
| Other Financing Sources (Uses): | | | | | |
| Insurance loss recoveries | 5,000 | | | (5,000) | |
| Operating transfers in | 1,474,159 | 1,494,605 | 75,000 | 20,446 | (1,419,605) |
| Operating transfers out | (1,934,010) | (1,870,417) | (450,812) | 63,593 | 1,419,605 |
| Total Other Financing Sources (Uses) | <u>(454,851)</u> | <u>(375,812)</u> | <u>(375,812)</u> | <u>79,039</u> | <u>0</u> |
| Net Change in Fund Balances | <u>13,105</u> | <u>107,480</u> | <u>201,529</u> | <u>94,375</u> | <u>94,049</u> |
| Fund Balances: | | | | | |
| July 1, 2006 | 2,897,048 | 2,885,639 | 2,915,562 | (11,409) | 29,923 |
| Prior period adjustments | | 16,148 | | 16,148 | (16,148) |
| July 1, 2006, as restated | <u>2,897,048</u> | <u>2,901,787</u> | <u>2,915,562</u> | <u>4,739</u> | <u>13,775</u> |
| June 30, 2007 | <u>\$ 2,910,153</u> | <u>3,009,267</u> | <u>3,117,091</u> | <u>99,114</u> | <u>107,824</u> |

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

UNION COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2007

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

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

UNION COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

UNION COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

| 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 | \$ 74,246 |
| Child nutrition cluster: | | |
| School breakfast program | 10.553 | 232,018 |
| National school lunch program | 10.555 | 534,972 |
| Total child nutrition cluster | | <u>766,990</u> |
| Total U.S. Department of Agriculture | | <u>841,236</u> |
| <u>Federal Communications Commission</u> | | |
| Administered through the Universal Service Administrative Company: | | |
| The schools and libraries program of the universal service fund | 32.XXX | 31,924 |
| Total Federal Communications Commission | | <u>31,924</u> |
| <u>U.S. Department of Education</u> | | |
| Passed-through Mississippi Department of Education: | | |
| Title I grants to local educational agencies | 84.010 | 418,850 |
| Safe and drug-free schools and communities - state grants | 84.186 | 11,173 |
| Eisenhower professional development state grants | 84.281 | 6,913 |
| Twenty-first century community learning centers | 84.287 | 43,658 |
| State grants for innovative programs | 84.298 | 4,239 |
| Education technology state grants | 84.318 | 2,009 |
| Teacher quality enhancement grants | 84.336 | 200 |
| English language acquisition grants | 84.365 | 2,760 |
| Improving teacher quality state grants | 84.367 | 98,607 |
| Grants for state assessments and related activities | 84.369 | 14,746 |
| Total | | <u>603,155</u> |
| Special education cluster: | | |
| Special education - grants to states | 84.027 | 496,755 |
| Special education - preschool grants | 84.173 | 33,398 |
| Total special education cluster | | <u>530,153</u> |
| Total U.S. Department of Education | | <u>1,133,308</u> |
| <u>U.S. Department of Health and Human Services</u> | | |
| Passed-through Mississippi Department Education: | | |
| Medical assistance program | 93.778 | 56,397 |
| Total U.S. Department of Health and Human Services | | <u>56,397</u> |
| Total for All Federal Awards | | <u>\$ 2,062,865</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 COUNTY SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2007

| <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 | \$ 14,302,547 | 11,286,362 | 577,328 | 897,748 | 1,541,109 |
| Other | 4,539,626 | 1,026,833 | 184,541 | 113,535 | 3,214,717 |
| Total | \$ <u>18,842,173</u> | <u>12,313,195</u> | <u>761,869</u> | <u>1,011,283</u> | <u>4,755,826</u> |
| Total number of students* | <u>2,496</u> | | | | |
| Cost per student | \$ <u>7,549</u> | <u>4,933</u> | <u>305</u> | <u>405</u> | <u>1,906</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.

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

UNION COUNTY SCHOOL DISTRICT

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UNION COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

UNION COUNTY SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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 County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County School District as of and for the year ended June 30, 2007, which collectively comprise Union County School District's basic financial statements and have issued our report thereon dated May 13, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in the internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 07-1 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

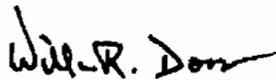
As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Union County School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Union County School District's response and, accordingly, we express no opinion on it.

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



STACEY E. PICKERING
State Auditor



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

May 13, 2008



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
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 County School District

Compliance

We have audited the compliance of the Union County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The school district's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 County 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, 2007.

Internal Control Over Compliance

The management of the Union County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

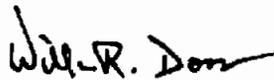
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



STACEY E. PICKERING
State Auditor



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

May 13, 2008

UNION COUNTY SCHOOL DISTRICT

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

UNION COUNTY SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Union County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2007, which collectively comprise Union County School District's basic financial statements and have issued our report thereon dated May 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$1,229 of classroom supply funds carried over from previous years.

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

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

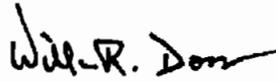
As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective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

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

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



STACEY E. PICKERING
State Auditor



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

May 13, 2008

UNION COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

UNION COUNTY SCHOOL DISTRICT

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UNION COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

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 weakness(es) identified? | No |
| | b. Significant deficiency identified that is 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 weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal program 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 finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

UNION COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 2: Financial Statement Finding

Significant Deficiencies Not Considered to be a Material Weakness

07-1. Payroll Expenditures Should Be Supported by Adequate Documentation

Finding

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

During our tests of payroll expenditures, we found that the supporting documentation for nonexempt employees was not used to calculate the amount of salary an employee had earned.

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation.

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

Recommendation

The district should maintain adequate records for all nonexempt personnel to support payroll expenditures.

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 COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

UNION COUNTY SCHOOL DISTRICT

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UNION COUNTY SCHOOL DISTRICT

OFFICE OF THE SUPERINTENDENT
Ken Basil

Assistant Superintendent
Ronald Scott

Board of Trustees:
Gary Gray
Terry Cook
Buddy Dixon
Johnny Rakestraw
Dr. James Bryson

Telephone: 662-534-1960
Facsimile: 662-534-1961
<http://www.union.k12.ms.us>
basilk@union.k12.ms.us
rscott@mde.k12.ms.us

Financial & Compliance Audit Division

As required by Section ____ .315(c) of OMB Circular A-133, the Union County 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, 2007:

| <u>Finding</u> | <u>Corrective Action Plan Details</u> |
|----------------|--|
| 07-1 | <p>a. Mellisa Broom, Business Manager (662)534-1960</p> <p>b. Union County School District will implement new timesheets which will give more accurate documentation for use in calculating the amount of salary non-exempt employees have earned each month. These timesheets will be used to process monthly payroll checks.</p> <p>c. Union County School District plans to implement this corrective action for the 2008-09 school year.</p> |

Sincerely,



Mellisa Broom, Business Manager

EAST UNION

INGOMAR

MYRTLE

WEST UNION

250 CARTER AVENUE . POST OFFICE BOX 939 . NEW ALBANY, MISSISSIPPI 38652