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UNION COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

UNION COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2008

	Page
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information	1-2
Management's Discussion and Analysis	3-10
Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet -Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	15
Reconciliation of the Governmental Statement of Revenues .Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Statement of Fiduciary Assets and Liabilities	17
Notes to Financial Statements	19-40
Required Supplementary Information	
Budgetary Comparison Schedule for the General Fund	41
Notes to the Required Supplementary Information	42
Supplemental Information	
Schedule of Expenditures of Federal Awards	43-44
Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds	45
Other Supplemental Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund, Last Four Years	46
Statement of Revenues, Expenditures, and Changes in Fund Balance – All Governmental Funds, Last Four Years	47
Compliance and Internal Control Reports	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*	48-49
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	51-52
Independent Auditors' Report on Compliance with State Laws and Regulations	53-54
Schedule of Findings and Questioned Costs	55-56

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

Superintendent and School Board
Union County School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Union County School District at June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated, November 16, 2009, on our consideration of the Union County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 and the Budgetary Comparison Schedules and corresponding notes on pages 41 through 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 inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

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

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

Brawner, Vanstory & Co. P.A.
November 16, 2009
Booneville, Mississippi

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

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2008 increased $648,644 which represents an approximate 7% increase from fiscal year 2007. Total net assets for 2007 increased $420,392, which represents a 5% increase from fiscal year 2006.

- General revenues account for $16,082,188 and $15,152,382 in revenue, or 78% and 81% of all revenues for fiscal years 2008 and 2007 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,467,969 or 22% of total revenues for 2008 and $3,624,435 or 19% of total revenues for 2007.

- The District had $20,044,662 and $18,356,425 in expenses for fiscal years 2008 and 2007; only $4,467,969 for 2008 and $3,624,425 for 2007 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $16,082,188 for 2008 and $15,152,382 for 2007 were adequate to provide for these programs.

- Among major funds, the General Fund had $16,477,730 in revenues and $15,862,859 in expenditures for 2008 and $15,524,779 in revenues and $14,947,438 in expenditures in 2007. The General Fund's fund balance increased by $243,472 from 2007 to 2008 and increased $201,529 from 2006 to 2007.

- Capital assets, net of accumulated depreciation, decreased by $222,084 for 2008 and decreased by $49,692 for 2007. The decrease for 2008 was due to the increase in accumulated depreciation for the year.

- Long-term debt decreased by $290,872 for 2008 and decreased by $343,213 for 2007. This decrease included an advance refunding of $2,970,000 in long-term debt and 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-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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

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

The government-wide financial statements can be found in this report.

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

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

Funds Statements provide a detailed short-term view of the school district's operations.

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

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

The basic governmental fund financial statements can be found in this report.

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

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

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

In addition to the required supplementary information referred to in the preceding paragraph, the Statement of Revenues, Expenditures, and Changes in Fund Balances, - General Fund-Last Four Years and the Statement of Revenues, Expenditures, and Changes in Fund Balances- All Governmental Funds- Last Four Years, is presented for additional analysis.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major fund. This required supplementary information can be found in this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and 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 $9,638,846 as of June 30, 2008.

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

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

	2008	2007	Total Dollar Variance	Total Percentage Variance
Current Assets	$ 5,895,056	$ 5,159,727	$ 735,329	14.25%
Capital Assets, net	9,527,696	9,749,780	(222,084)	-2.28%
Total Assets	**15,422,752**	**14,909,507**	**513,245**	**3.44%**
Current Liabilities	1,264,131	1,108,658	155,473	14.02%
Long-term debt outstanding	4,519,775	4,810,647	(290,872)	-6.05%
Total Liabilities	**5,783,906**	**5,919,305**	**(135,399)**	**-2.29%**
Net Assets:				
Invested in capital assets, net of related debt	5,170,127	5,115,660	54,467	1.06%
Restricted	1,270,362	933,978	336,384	36.02%
Unrestricted	3,198,357	2,940,564	257,793	8.77%
Total Net Assets	**$ 9,638,846**	**$ 8,990,202**	**$ 648,644**	**7.22%**

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

- Increase in current assets in the amount of $735,329.
- Decrease in net capital assets in the amount of $222,084.
- Decrease in long-term debt outstanding in the amount of $290,872.
- The advance refunding of $2,970,000 in outstanding long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2008 and June 30, 2007 were $20,550,157 and $18,776,817, respectively. The total cost of all programs and services for 2008 was $20,044,662 and $18,356,425 for 2007. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

	2008	2007	Total Dollar Variance	Total Percentage Variance
Revenues:				
Program Revenues				
Charges for Services	$ 1,287,296	$ 1,275,662	$ 11,634	0.91%
Operating grants and contributions	3,180,673	2,348,773	831,900	35.42%
General Revenues				
Property Taxes	2,339,517	2,009,435	330,082	16.43%
Unrestricted grants	13,427,991	12,824,438	603,553	4.71%
Other	314,680	318,509	(3,829)	-1.20%
Total Revenues	**20,550,157**	**18,776,817**	**1,773,340**	**9.44%**
Expenses:				
Instruction	12,852,034	11,397,179	1,454,855	12.76%
Support Services	5,338,541	5,176,510	162,031	3.13%
Non-instructional	1,660,380	1,562,321	98,059	6.28%
Interest and other charges related to long-term liabilities	193,707	220,415	(26,708)	-12.12%
Total Expenses	**20,044,662**	**18,356,425**	**1,688,237**	**9.20%**
Change in Net Assets	**$ 505,495**	**$ 420,392**	**$ 85,103**	**20.24%**

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

	2008		2007	
	Total Expenses	Net (Expenses) Revenue	Total Expenses	Net (Expenses) Revenue
Instruction	$ 12,852,034	$ (10,279,834)	$ 11,397,179	$ (9,611,589)
Support Services	5,338,541	(4,850,201)	5,176,510	(4,686,832)
Non-instructional	1,660,380	(252,951)	1,562,321	(213,154)
Interest & other charges related to long-term liabilities	193,707	(193,707)	220,415	(220,415)
Total Expenses	**$ 20,044,662**	**$ (15,576,693)**	**$ 18,356,425**	**$ (14,731,990)**

- Net cost of governmental activities, ($15,576,693 and $14,731,990 for 2008 and 2007 respectively) was financed by general revenue, which is made up of primarily property taxes of ($2,339,517 for 2008 and $2,009,435 for 2007) and state and federal revenues of ($13,427,991 for 2008 and $12,824,438 for 2007).

- Investment earnings accounted for $237,353 for 2008 and $234,393 for 2007 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 $4,593,981, an increase of $476,394. $3,964,545 or 86% 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 $629,436 or 14% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $243,472. The fund balance of Other Governmental Funds showed an increase in the amount of $232,922. There were no other major funds.

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 funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were $15,085,074, including land, school buildings, building improvements, busses, other school vehicles, and furniture and equipment. This amount represents an increase of $73,583 from 2007 to 2008. Total accumulated depreciation as of June 30, 2008, was $5,557,378 and total depreciation expense for the year was $420,961, resulting in total net assets of $9,527,696.

	Capital Assets, Net of Deprecitation		
	2,008	2,007	**Total Percentage Variance**
Land	$ 351,601	$ 351,601	0%
Buildings	6,053,361	6,124,479	-1%
Building Improvements	2,139,453	2,249,712	-5%
Improvements other than buildings	136,187	142,224	-4%
Mobile Equipment	736,152	764,193	-4%
Furniture and Equipment	110,942	117,571	-6%
Total	**$ 9,527,696**	**$ 9,749,780**	**-2%**

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

Debt Administration. At June 30, 2008, the District had $4,519,775 in long-term debt outstanding, of which $575,318 is due within one year. In addition, the liability for compensated absences increased by $224 from the prior year.

	Outstanding Long Term Debt		
	2008	2007	**Total Percentage Variance**
Limited Obligation Bonds Payable	$ 3,310,000	$ 3,430,000	-4%
Three mill note payable	178,310	188,970	-6%
Obligations under energy efficiency leases	869,259	1,015,150	-14%
Other loans payable	15,261	29,806	-49%
Compensated Absences Payable	146,945	146,721	0%
Total	**4,519,775**	**4,810,647**	**-6%**

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 system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment is up by 54 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.

Exhibit A

UNION COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

		Governmental Activities
ASSETS		
Cash and Cash Equivalents (Note 2)	$	2,630,074
Investments (Note 2)		2,357,734
Due from other governments		794,133
Inventories		24,858
Deferred charges		43,780
Interfund receviables-fiduciary		44,477
Capital Assets, non -depreciable (Note 4)		
Land		351,601
Capital Assets, net of accumulated depreciation (Note 4)		
Buildings		6,053,361
Building improvements		2,139,453
Improvements other than buildings		136,187
Mobile equipment		736,152
Furniture and equipment		110,942
Total Assets		15,422,752
LIABILITIES		
Accounts payable and accrued liabilities		1,250,224
Interest payable on long-term liabilities		6,836
Unearned revenue		7,071
Long-term liabilities - Due within one year (Note 5)		
Capital related liabilities		565,144
Non-capital liabilities		10,174
Long-term liabilities - Due beyond one year (Note 5)		
Capital Related liabilities		3,797,512
Non-capital liabilities		146,945
Total Liabilities		5,783,906
NET ASSETS		
Invested in capital assets, net of related debt		5,170,127
Restricted Net Assets:		
Expendable		
School based activities		628,840
Unemployment benefits		55,458
Debt Service		586,064
Unrestricted		3,198,357
Total Net Assets	$	9,638,846

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

Exhibit B

UNION COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities Total
Governmental Activities					
Instruction	$ 12,852,034	747,247	1,824,953	-	(10,279,834)
Support services	5,338,541	-	488,340	-	(4,850,201)
Noninstructional	1,660,380	540,049	867,380	-	(252,951)
Interest on long-term liabilties	193,707	-	-	-	(193,707)
Total Governmental Activities	20,044,662	1,287,296	3,180,673	-	(15,576,693)

General Revenues:	
Taxes:	
General purpose levies	2,151,604
Debt service levies	187,913
Unrestricted grants and contributions	
State	13,219,569
Federal	208,422
Unrestricted investment earnings	237,353
Other	77,327
Total General Revenues	16,082,188
Change in Net Assets	505,495
Net Assets-Beginning	8,990,202
Prior Period Adjusments	143,149
Net Asets - Restated	9,133,351
Net Assets-Ending	$ 9,638,846

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

UNION COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2008

Exhibit C

	Major Fund		
	General Fund	Other Governmental Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents (Note 2)	$ 1,629,116	1,000,958	2,630,074
Investments (Note 2)	2,105,300	252,434	2,357,734
Due from other governments	405,999	388,134	794,133
Due from other funds (Note 3)	212,261	389	212,650
Inventories	-	24,858	24,858
Total Assets	4,352,676	1,666,773	6,019,449
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	992,113	258,111	1,250,224
Due to other funds (Note 3)	-	168,173	168,173
Unearned Revenue	-	7,071	7,071
Total Liabilities	992,113	433,355	1,425,468
Fund Balances			
Reserved for:			
Inventory	-	24,858	24,858
Unemployment benefits	-	55,458	55,458
Debt service funds	-	549,120	549,120
Unreserved: Undesignated			
General fund	3,360,563	-	3,360,563
Special Revenue funds	-	603,982	603,982
Total Fund Balances	3,360,563	1,233,418	4,593,981
Total Liabilities and Fund Balances	$ 4,352,676	1,666,773	6,019,449

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

Exhibit C-1

Union County School District
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets
June 30, 2008

	Amount
Total Fund Balance-Governmental Funds	$ 4,593,981
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets of $15,085,074 used in governmental activities, are not financial resources, and, therefore, are not reported in the funds. Capital assets are presented net of accululated depreciaiton of $5,557,378 (Note 4)	9,527,696
2. Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. (Note 5)	(4,519,775)
3. Accrued interest on debt is not due and payable in the current period and, therefore, is not reported in the funds.	(6,836)
4. Net deferred charges - debt issuance costs	43,780
Total Net Assets - Governmental Activities	$ 9,638,846

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

Exhibit D

UNION COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2008

	Major Fund		
	General Fund	Other Governmental Fund	Total Governmental Funds
Revenues			
Local sources	$ 3,278,736	658,443	3,937,179
Intermediate sources	3,000	-	3,000
State sources	12,975,501	1,181,303	14,156,804
Federal sources	220,493	2,231,366	2,451,859
Total Revenues	16,477,730	4,071,112	20,548,842
Expenditures			
Instruction	10,570,977	2,136,473	12,707,450
Support services	4,674,619	471,478	5,146,097
Noninstructional services	418,877	1,229,076	1,647,953
Debt service:			
Principal	160,436	413,970	574,406
Interest	37,950	158,360	196,310
Bond issue costs	-	63,991	63,991
Total Expenditures	15,862,859	4,473,348	20,336,207
Excess (Deficiency) of Revenues Over (Under) Expenditures	614,871	(402,236)	212,635
Other Financing Sources (Uses)			
Proceeds of general obligation bonds	-	3,075,000	3,075,000
Premium on debt issuance	-	15,346	15,346
Payment to refunded bond escrow agent	-	(3,027,079)	(3,027,079)
Proceeds of loans	-	178,310	178,310
Sale of other property	1,410	-	1,410
Operating transfers in	68,500	469,064	537,564
Operating transfers out	(469,064)	(68,500)	(537,564)
Total Other Financing Sources (Uses)	(399,154)	642,141	242,987
Net Change in Fund Balances	215,717	239,905	455,622
Fund Balance June 30, 2007	3,117,091	1,000,496	4,117,587
Prior period adjustments	27,755	-	27,755
Fund Balance - Restated June 30, 2007	3,144,846	1,000,496	4,145,342
Decrease in Reserve for Inventory	-	(6,983)	(6,983)
Fund Balance June 30, 2008	$ 3,360,563	1,233,418	4,593,981

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

Exhibit D-1

Union County School District
Reconcialiation of the Governmental Funds Statement of Revenues and Expenditures and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2008

		Amount
Net Change in Fund Balances - Governmental Funds		$ 455,622
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report eapital outlays as expenditurcs while governmental activities report depreciation to allocate those expenditures over the life of the assets. (Note 4)		
Capital assets purchased	$ 83,583	
Depreciation expense	(420,961)	
		(337,378)
2. Disposal of capital assets are not reported in the governmental funds, but are recorded as an increase to support services in the statement of activities. (Note 4)		
Capital Assets Disposed	$ (10,000)	
Net of Accumulated Depreciation	9,900	
		(100)
3. Proceeds of Long Term Liabilities are reported as other sources in the governmental funds but not in the statement of activities. (Note 5).		(3,253,310)
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activities (note 5)		3,544,406
5. Decrease in accrued interest is reported as an adjustment to interest expense in the statement of activities.		59,682
6. Bond premium and bond issuance costs are reported as sources and uses of funds in the governmental fund, but are deferred and amortized in the statement of activities.		43,780
7. Increase in compensated absences is reported as an adjustment to instruction, support services and noninstructional services.		(224)
8. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds but noninstructional expenditures are increased in the statement of activities.		(6,983)
Change in Net Assets of Governmental Activities		$ 505,495

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

Exhibit E

UNION COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2008

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 119,551
TOTAL ASSETS	119,551
LIABILITIES	
Due to other funds	44,477
Due to clubs	75,074
TOTAL LIABILITIES	$ 119,551

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

UNION COUNTY SCHOOL DISTRICT

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(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

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.

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

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

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

General Fund – This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:

Activity Agency Fund – This fund is used to account for revenues and expenditures of various student clubs in the district.

Accounts Payable Clearing – This fund is used to account for the district's claims payable and the payment of those claims.

(1) Summary of Significant Accounting Policies (Continued)

Payroll Clearing – This fund is used to account for salaries and related salaries expenditures payable and the payment of those payables.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUNDS

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

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 the timing of the related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

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

F. Assets, liabilities and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district are reported at fair market value.

(1) Summary of Significant Accounting Policies (Continued)

F. Assets, liabilities and net assets or equity (Continued)

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

(1) Summary of Significant Accounting Policies (Continued)

F. Assets, liabilities and net assets or equity (Continued)

6. Capital Assets

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

F. Assets, liabilities and net assets or equity (Continued)

7. Compensated Absences

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

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

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

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note (5) for details.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(1) Summary of Significant Accounting Policies (Continued)

F. Assets, liabilities and net assets or equity (Continued)

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 services- An account that represents that portion of the 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 payment of unemployment benefits.

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

(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 Deposit Insurance Corporation.

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $4,788,006 (which includes $2,157,932 of certificates of deposit with original maturities beyond three month and reported on Exhibit C as investments) and $119,551, respectively. The bank balance was $5,609,540.

(2) Cash and Cash Equivalents and Investments (continued)

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of $5,609,540 was exposed to custodial credit risk.

Investments

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

Investment Type	Maturities (in years)	Fair Market Value	Rating
Certificates of Deposit	1	$ 2,157,932	Not filed
Hancock Horizon Treasury Sec Mmkt CL A	Less than 1	199,802	AAA
Total		$ 2,357,734	

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. The investment in the Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

Concentration of Credit Risk - Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. The investment in the Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

(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	Reason
Governmental funds			
General fund	$ 212,261	-	Loans to funds awaiting reimbursement
Other governmental	389	168,173	Loans to funds awaiting reimbursement
Total Governmental Funds	212,650	168,173	
Fiduciary Funds	-	44,477	Interest earned not yet paid to General Fund & Workers Comp overpayment
Total Due From/Due To	$ 425,300	$ 212,650	

B. Transfers In/Out

	Transfer In	Transfers Out	
Governmental funds			
General fund	$ 68,500	-	Indirect costs
General fund	-	469,064	Support to other funds
Other governmental funds	-	68,500	Indirect costs
Other governmental funds	469,064	-	Support from general fund
Total Transfers In/Out	$ 537,564	$ 537,564	

(4) Capital Assets

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

	Balance 7/1/2007	Additions	Retirements	Adjustments	Balance 6/30/2008
Non-Depreciable Assets					
Land	$ 351,601	-	-	-	351,601
Total Non-Depreciable Assets:	351,601	-	-	-	351,601
Depreciable Capital Assets:					
Buildings	8,974,914	-	-	-	8,974,914
Building improvements	2,756,486	-	-	-	2,756,486
Improvements other than Buildings	243,495	-	-	-	243,495
Mobile equipment	2,359,042	56,836	-	-	2,415,878
Furniture	325,953	26,747	10,000	-	342,700
Total Depreciable Capital Assets	14,659,890	83,583	10,000	-	14,733,473
Less: Accumulated Depreciation for:					
Buildings	2,850,435	152,377	-	(81,259)	2,921,553
Building Improvements	506,774	110,259	-	-	617,033
Improvements other than Buildings	101,271	9,740	-	(3,703)	107,308
Mobile Equipment	1,594,849	116,098	-	(31,221)	1,679,726
Furniture	208,382	32,487	9,900	789	231,758
Total Accumulated Depreciation	5,261,711	420,961	9,900	(115,394)	5,557,378
Total Depreciable Capital Assets (Net)	9,398,179	(337,378)	100	115,394	9,176,095
Governmental Activities Capital Assets	$ 9,749,780	(337,378)	100	115,394	9,527,696

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 144,360
Support services	244,416
Non-instructional	32,185
Total Depreciation Expense	$ 420,961

(5) Long-term liabilities

The following is a summary of changes in general long-term debt and other obligations:

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts due within 1 year
A. Limited Obligation bonds payable	$ 3,430,000	3,075,000	3,195,000	3,310,000	235,000
B. Three mill notes payable	188,970	178,310	188,970	178,310	178,310
C. Obligation under energy efficiency lease	1,015,150	-	145,891	869,259	151,834
D. Other loans payable	29,806	-	14,545	15,261	10,174
E. Compensated absences	146,721	224	-	146,945	-
	$ 4,810,647	3,253,534	3,544,406	4,519,775	575,318

Reductions consist of principal payments of $574,406, page 15 and $2,970,000, included in payment to refunded bond escrow agent, page 15.

A. Limited obligation bonds

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 Bonds	4.6-6.1%	3/1/1998	2/1/2018	$ 4,585,000	$ 235,000
State Aid Capital Imp Refunding, Series 2008	2.2-3.6%	6/30/2008	2/1/2018	3,075,000	3,075,000
Total				$ 7,660,000	$ 3,310,000

(5) Long-term liabilities (continued)

A. Limited obligation bonds (continued)

Details of the district's June 30, 2008 limited obligation bonds indebtedness are as follows:

1. Limited obligation bond issue of March 1, 1998

Year Ending June 30	Principal	Interest	Total
2009	$ 235,000	5,141	240,141
Total	$ 235,000	5,141	240,141

This debt will be retired from the MAEP Bond Retirement Fund.

2. Limited obligation bond issue of June 30, 2008

Year Ending June 30	Principal	Interest	Total
2009	-	59,761	59,761
2010	$ 160,000	99,363	259,363
2011	290,000	92,050	382,050
2012	300,000	82,463	382,463
2013	310,000	72,550	382,550
2014-2018	2,015,000	202,284	2,217,284
Total	$ 3,075,000	608,471	3,683,471

This debt will be retired from the MAEP Bond Retirement Fund

(5) Long-term liabilities (continued)

A. Limited obligation bonds payable (continued)

Total limited obligation bonds payments for all issues:

Year Ending June 30	Principal	Interest	Total
2009	$ 235,000	64,902	299,902
2010	160,000	99,363	259,363
2011	290,000	92,050	382,050
2012	300,000	82,463	382,463
2013	310,000	72,550	382,550
2014-2018	2,015,000	202,284	2,217,284
Total	$ 3,310,000	613,612	3,923,612

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

Current Refunding.

On June 30, 2008 the district issued $3,075,000 in State Aid Capital Improvement Refunding Bonds, Series 2008 with an average interest rate of 2.9% to advance refund $2,970,000 of outstanding State Aid Capital Improvement Bonds with an average interest rate of 4.55%. The net proceeds of $3,027,079 after payments of $63,991 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the State Aid Capital Improvement Bonds.

As a result, the State Aid Capital Improvement Bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the State Aid Capital Improvement Bonds to reduce its total debt service payments over the remaining 10 years of the debt by approximately $131,311 and to obtain an economic gain of $135,814.

(5) Long-term liabilities (continued)

B. Three-mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note	3.75%	2/12/2008	2/12/2009	$ 178,310	178,310
				$ 178,310	178,310

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

Year Ending June 30,	Principal	Interest	Total
2009	$ 178,310	6,687	184,997
Total	$ 178,310	6,687	184,997

This debt will be retired from the Three Mill Debt Retirement Fund and EEF Buildings and Bus Fund.

C. Obligation under energy efficiency lease

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligation Under Energy Efficiency Lease	4.000%	3/4/2005	3/4/2014	$ 1,513,170	869,259
				$ 1,513,170	869,259

(5) Long-Term Liabilities (Continued)

C. Obligation under energy efficiency lease (continued)

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

Year Ending June 30,	Principal	Interest	Total
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	178,132	5,709	183,841
2014	45,656	305	45,961
Total	$ 869,259	95,908	965,167

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

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

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.

D. Other loans payable

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

(5) Long-Term Liabilities (Continued)

D. Other loans payable (continued)

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Asbestos abatement loan	0.000%	6/1/1990	11/30/2009	$ 183,134	15,261
				$ 183,134	15,261

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

Year Ending June 30	Principal	Interest	Total
2009	$ 10,174	-	10,174
2010	5,087		5,087
Total	$ 15,261	-	15,261

This debt will re retired from the district maintenance fund.

E. Compensated absences payable.

As more fully explained in Note 1(F)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries are 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 members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Union County School District's contributions to PERS for the years ending June 30, 2008, 2007, and 2006 were $1,312,207, $1,117,760, and $1,050,343, respectively, equal to the required contributions for each year.

(7) Prior Period Adjustments/Exhibit

A summary of significant fund equity adjustments is as follows:

Explanation		Statement of Activities	Statement of Revenues, Expenditures, and Fund Balance
1	Correct accumulated depreciation	$ 115,394	-
2	Correct overcharged workmens compensation expense	27,755	27,755
	Total	$ 143,149	27,755

(8) Risk Management

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

(8) Risk Management (continued)

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 95 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 Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000 MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

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

(9) Contingencies

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

(10) Alternative School Consortium

The 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.

(10) Alternative School Consortium (continued)

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.

(11)Vocational School Consortium

The school district entered into a Vocational Education Agreement dated April 4, 1969, creating the New Albany – Union County Vocational Center. This consortium created pursuant to the provision 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.

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

Schedule 1

Union County School District
Budgetary Comparison Schedule for the General Fund
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenue					
Local Sources	$ 3,348,465	3,285,068	3,278,736	(63,397)	(6,332)
Intermediate Sources	-	3,000	3,000	3,000	-
State Sources	12,873,730	12,992,321	12,975,501	118,591	(16,820)
Federal Sources	133,147	220,493	220,493	87,346	-
Total Revenues	16,355,342	16,500,882	16,477,730	145,540	(23,152)
Expenditures					
Instruction	10,809,716	10,572,913	10,570,977	236,803	1,936
Support Services	4,951,582	4,692,057	4,674,619	259,525	17,438
Noninstructional Services	402,241	418,880	418,877	(16,639)	3
Debt Service:				-	-
Principal	161,065	171,808	160,436	(10,743)	11,372
Interest	37,951	41,898	37,950	(3,947)	3,948
Total Expenditures	16,362,555	15,897,556	15,862,859	464,999	34,697
Excess (Deficiency) of Revenues over Expenditures	(7,213)	603,326	614,871	610,539	11,545
Other Financing Sources (Uses)					
Loan Proceeds	-	141,621	-	141,621	(141,621)
Sale of capital assets	-	1,410	1,410	1,410	-
Operating Transfers In	1,621,768	1,556,621	68,500	(65,147)	(1,488,121)
Operating Transfers Out	(1,979,612)	(1,957,185)	(469,064)	22,427	1,488,121
Insurance Loss Recoveries	5,000	-	-	(5,000)	-
Total Other Financing Sources (Uses)	(352,844)	(257,533)	(399,154)	95,311	(141,621)
Net Change in Fund Balances	(360,057)	345,793	215,717	705,850	(130,076)
Fund Balances					
July 1, 2007	3,009,269	3,009,269	3,117,091	-	107,822
Prior Period Adjustments	104,804	104,804	27,755	-	(77,049)
July 1, 2007, restated	3,114,073	3,114,073	3,144,846	-	30,773
June 30, 2008	$ 2,754,016	3,459,866	3,360,563	705,850	(99,303)

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, 2008

Basis of Presentation

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

Budget amendments and revisions

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

UNION COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year ended June 30, 2008

Schedule 2

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	$ 254,892
National school lunch program	10.555	663,141
Total Child Nutrition Cluster		918,033
Total Passed-through MDE		918,033
Total U.S. Department of Agriculture		918,033
Federal Communications Commission		
Passed-through the Universal Services Administrative Co:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	31,553
Total Federal Communications Commission		31,553
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Special Education Cluster		
Special education - grants to states	84.027	513,902
Special education - preschool grants	84.173	22,549
Total Special Education Cluster		536,451
Improving Teacher Quality - State Grants	84.367	148,636
Title I grants to local educational agencies	84.010	438,176
State grants for innovative programs	84.298	4,608
Safe and drug-free schools and communities - state grants	84.186	8,613
Education technology state grants	84.318	1,769
Grants for state assessments and related activities	84.369	14,989
Tech Prep education	84.243	167,922
Total Passed-through MDE		784,713
Total U.S. Department of Education		1,321,164
U.S. Department of Health and Human Services		
Passed-through the Mississippi Department of Educaiton:		
Medical assistance program	93.778	99,852
Total Passed-through MDE		99,852
Total U.S. Department of Health and Human Services		99,852
Total for All Federal Awards		$ 2,370,602

UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTES TO SCHEDULE

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

Union County School District
Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds
June 30, 2008

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$ 15,079,092	11,945,733	604,178	909,221	1,619,960
Other	5,257,115	1,847,431	209,859	116,835	3,082,990
Total	$ 20,336,207	13,793,164	814,037	1,026,056	4,702,950
Total number of students*	2,550				
Cost per student	$ 7,975	5,409	319	402	1,845

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

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

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

School Administration - includes expenditures for the following functions: Support Services - School Administration (2400s).
Other- includes all expenditure functions not included in instruction or administrative.

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

Union County School District
Statement of Revenues, Expenditures and Changes in Fund Balance- **UNAUDITED**
General Fund
Last Four Years

Revenues	2008	2007*	2006*	2005*
Local sources	$ 3,278,736	2,928,755	3,086,243	2,616,508
Intermediate Sources	3,000	-	-	-
State sources	12,975,501	12,421,595	11,887,803	11,171,047
Federal sources	220,493	174,429	123,658	116,829
Total Revenues	16,477,730	15,524,779	15,097,704	13,904,384
Expenditures				
Instruction	10,570,977	9,878,436	9,428,352	8,676,302
Support services	4,674,619	4,414,714	4,331,206	4,527,848
Noninstructional services	418,877	455,273	465,542	390,776
Facilities acquisition and Construction	-	-	500,808	148,766
Debt Service:				
Principal	160,436	155,354	183,242	145,025
Interest	37,950	43,661	35,782	53,991
Total Expenditures	15,862,859	14,947,438	14,944,932	13,942,708
Excess (Deficiency) of Revenues Over (Under) Expenditures	614,871	577,341	152,772	(38,324)
Other Financing Sources (Uses)				
Proceeds of loans	-	-	-	33,808
Insurance Loss Recoveries	-	-	5,860	3,197
Sale of Other Property	1,410	-	18,323	51
Operating transfers in	68,500	75,000	85,650	1,242,059
Operating transfers out	(469,064)	(450,812)	(461,051)	(1,638,533)
Total Other Financing Sources (Uses)	(399,154)	(375,812)	(351,218)	(359,418)
Net Change in Fund Balance	215,717	201,529	(198,446)	(397,742)
Fund Balance, July 1	3,117,091	2,915,562	3,114,008	3,511,750
Prior Period Adjustment	27,755	-	-	-
Fund Balances as Restated	3,144,846	2,915,562	3,114,008	3,511,750
Fund Balance, June 30	$ 3,360,563	3,117,091	2,915,562	3,114,008

* SOURCE - PRIOR YEAR AUDIT REPORTS

Union County School District
Statement of Revenues, Expenditures and Changes in Fund Balance- **UNAUDITED**
All Governmental Funds
Last Four Years

Revenues	2008	2007*	2006*	2005*
Local sources	$ 3,937,179	3,603,608	3,736,398	3,231,758
Intermediate sources	3,000	-	-	-
State sources	14,156,804	13,029,971	12,526,266	11,778,218
Federal sources	2,451,859	2,143,238	2,290,819	2,104,193
Total Revenues	20,548,842	18,776,817	18,553,483	17,114,169
Expenditures				
Instruction	12,707,450	11,247,508	10,894,672	9,991,073
Support services	5,146,097	5,229,162	5,145,027	5,256,533
Noninstructional services	1,647,953	1,613,855	1,618,378	1,427,285
Facilities acquisition and construction	-	-	500,808	148,766
Debt Service:				
Principal	574,406	538,354	534,242	483,025
Interest	196,310	212,585	217,004	245,512
Bond Issuance Costs	63,991	-	-	-
Other	-	709	-	746
Total Expenditures	20,336,207	18,842,173	18,910,131	17,552,940
Excess (Deficiency) of Revenues Over (Under) Expenditures	212,635	(65,356)	(356,648)	(438,771)
Other Financing Sources (Uses)				
Proceeds of Limited Obligation Bonds	3,075,000	-	-	-
Premium on Debt Issuance	15,346	-	-	-
Payment to refunded bond escrow ager	(3,027,079)	-	-	-
Proceeds of loans	178,310	188,970	173,000	184,808
Sale of Other Property	1,410	-	18,323	51
Insurance Loss Recoveries	-	-	5,860	3,197
Operating transfers in	537,564	526,256	546,701	1,714,333
Operating transfers out	(537,564)	(526,256)	(546,701)	(1,714,333)
Total Other Financing Sources (Uses)	242,987	188,970	197,183	188,056
Net Change in Fund Balance	455,622	123,614	(159,465)	(250,715)
Fund Balance, July 1	4,117,587	3,983,595	4,137,827	4,387,371
Prior Period Adjustment	27,755	-	-	(75)
Fund Balances as Restated	4,145,342	3,983,595	4,137,827	4,387,296
Increase (Decrease) In Reserve for Inventory	(6,983)	10,378	5,233	1,246
Fund Balance, June 30	$ 4,593,981	4,117,587	3,983,595	4,137,827

*SOURCE - PRIOR YEAR AUDIT REPORTS

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

Superintendent and School Board
Union County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2008, which collectively comprise Union County School District's basic financial statements and have issued our report thereon dated November 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose or 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 2008-1 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 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 a 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated November 16, 2009, which is included in this report.

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

Brauner, Vanstaag & Co. P.A.

November 16, 2009
Booneville, Mississippi

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

Superintendent and School Board
Union County School District

Compliance

We have audited the compliance of the Union County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Union County School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Union County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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 Union County 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.

Brawner, Vanstery & Co. P.A.

November 16, 2009
Booneville, Mississippi

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Union County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2008, which collectively comprise Union County School District's basic financial statements and have issued our report thereon dated November 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(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 $2,153 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss Code Ann. (1972), state 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 disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response as follows:

Finding:

Section 37-61-19 Miss. Code Ann. (1972) requires the final amended budget be legally adopted on or before October 15, 2008. Per the amended budget printout, the amended budget was not approved until March 3, 2009.

Recommendation:

We recommend that in subsequent years, the final amended budget be adopted on or before October 15 following the June 30 year end.

Response:

The final amended budget was approved on November 3, 2008. The subsequent year was amended timely.

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

The Union County School District's response to the finding included in this report was not audited 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.

Brannen, Van Steen & Co. P.A.

November 16, 2009
Booneville, Mississippi

UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

4. Type of auditors' report issued on compliance for major federal programs:	Unqualified
5. Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency (ies) identified that are not considered to be material weaknesses?	None Reported
6. Any audit findings reported as required by Section__ .510(a) of OMB Circular A-133?	No

7. Federal programs identified as major programs:

a. Cluster: Special Education

CFDA #84.027
CFDA #84.173

b. Improving Teacher Quality State Grants

CFDA #84.367

c. Title I Grants to Local Education Agencies

CFDA #84.010

d. Tech-prep education

CFDA #84.243

8. The dollar threshold used to distinguish between type A and type B programs:	$300,000
9. Auditee qualified as a low-risk auditee?	No
10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ___.315(b) of OMB Circular A-133?	No

Section 2: Financial Statement Findings

Finding 2008-1

Significant Deficiency. Internal Controls.

A control was not in place to prevent excess workmen's compensation insurance to be overcharged to various funds.

The lack of controls allowed excess workmen's compensation to be charged to various funds. The excess funds were in payroll clearing as a liability. An adjustment was made to the funds to add back $27,755 for prior period and $2,946 for the current year.

The funds available in payroll clearing to pay workmen's compensation premium should be reviewed monthly to unsure that excess charges are not made to the funds for this purpose.

Response

We have refunded the excess funds to the various funds per the recommendations. We will monitor the fund monthly.

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.