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UNION PUBLIC SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2008**

**Charles L. Shivers, CPA
Ridgeland, MS**

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FINANCIAL AUDIT REPORT

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CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Union Public School District

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

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Public School District as of June 30, 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*, I have also issued my report dated March 23, 2009, on my consideration of the Union Public School District's internal control over financial reporting and on my 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 my 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 my audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule and related notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my 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, I express no opinion on it.



Ridgeland, MS
March 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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UNION PUBLIC SCHOOL DISTRICT

Dr. Michael McInnis, Superintendent

P.O. Box 445

417 S Decatur Street

Union, Mississippi 39365

Phone 601-774-9579

Fax 601-774-0600

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$434,765, which represents 8.5% increase from fiscal year 2007.
- General revenues account for \$5,808,865 in revenue, or 80.2% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,436,046 or 19.8% of total revenues.
- The District had \$6,810,146 in expenses; only \$1,436,046 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,808,865 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,799,702 in revenues and \$5,397,524 in expenditures. The General Fund's fund balance increased \$299,328 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$90,788.
- Long-term debt decreased by \$170,337.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Cir. A-133 and a Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, as required by the Mississippi State Auditor, can be found in this report. Also, this report includes a Statement of Revenues, Expenditures and Changes in Fund Balance, General Fund, Last Four Years and a Statement of Revenues, Expenditures and Changes in Fund Balance, All Governmental Funds, Last Four Years as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,538,898 as of June 30, 2008.

By far the largest portion of the District's net assets (56.9%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment), less any related

debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets as of June 30, 2008 and 2007, respectively.

	Net Assets		Percentage Change
	June 30, 2008	June 30, 2007	
Current assets	\$ 2,811,146	\$ 2,439,822	15.2 %
Restricted assets	82,438	2,472	>100.0 %
Non-depreciable assets	118,180	118,180	0.0 %
Depreciable assets, net	<u>3,934,803</u>	<u>4,025,591</u>	-2.3 %
Total assets	<u>6,946,567</u>	<u>6,586,065</u>	5.5 %
Current liabilities	466,178	370,104	26.0 %
Long-term debt outstanding	<u>941,491</u>	<u>1,111,828</u>	-15.3 %
Total liabilities	<u>1,407,669</u>	<u>1,481,932</u>	-5.0 %
Net assets:			
Invested in capital assets, net of related debt	3,149,983	3,078,451	2.3 %
Restricted	390,966	369,119	5.9 %
Unrestricted	<u>1,997,949</u>	<u>1,656,563</u>	20.6 %
Total net assets	<u>\$ 5,538,898</u>	<u>\$ 5,104,133</u>	8.5 %

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

- The principal retirement of \$162,320 of long-term debt.
- The addition of \$74,125 in capital assets.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$7,244,911. The total cost of all programs and services was \$6,810,146. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2008 and 2007, respectively.

	Change in Net Assets		Percentage Change
	June 30, 2008	June 30, 2007	
Revenues:			
Program revenues:			
Charges for services	\$ 285,231	\$ 335,970	-15.1 %
Operating grants and contributions	1,150,815	1,157,366	-0.6 %
General revenues:			
Property taxes	852,371	825,781	3.2 %
Grants and contributions not restricted	4,851,378	4,232,350	14.6 %
Other	<u>105,116</u>	<u>91,441</u>	15.0 %
Total revenues	<u>7,244,911</u>	<u>6,642,908</u>	9.1 %
Expenses:			
Instruction	3,886,191	3,626,593	7.2 %
Support services	2,483,190	2,137,339	16.2 %
Non-instructional	392,921	421,895	-6.9 %
Sixteenth section	4,464	2,465	81.1 %
Interest and other expense on long-term liabilities	<u>43,380</u>	<u>50,044</u>	-13.3 %
Total expenses	<u>6,810,146</u>	<u>6,238,336</u>	9.2 %
Increase in net assets	434,765	404,572	7.5 %

Net Assets, July 1	<u>5,104,133</u>	<u>4,699,561</u>	8.6 %
Net Assets, June 30	<u>\$ 5,538,898</u>	<u>\$ 5,104,133</u>	8.5 %

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for fiscal years ending June 30, 2008 and 2007, respectively. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2008		2007	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$ 3,886,191	\$ (3,349,330)	\$ 3,626,593	\$ (2,961,862)
Support services	2,483,190	(2,033,087)	2,137,339	(1,763,348)
Non-instructional	392,921	56,161	421,895	32,719
Sixteenth section	4,464	(4,464)	2,465	(2,465)
Interest and other expenses on long-term liabilities	<u>43,380</u>	<u>(43,380)</u>	<u>50,044</u>	<u>(50,044)</u>
Total expenses	<u>\$ 6,810,146</u>	<u>\$ (5,374,100)</u>	<u>\$ 6,238,336</u>	<u>\$ (4,745,000)</u>

- Net cost of governmental activities (\$5,374,100), was financed by general revenue, which is made up of primarily property taxes (\$852,371) and state revenue (\$4,809,780).
- Investment earnings accounted for \$66,340 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 \$2,438,554, an increase of \$353,665. \$1,217,171 or 49.9% 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 \$1,221,383 or 50.1% 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 \$299,328. The fund balance of Other Governmental Funds showed an increase of \$20,296.

BUDGETARY HIGHLIGHTS

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

Budget amounts for revenue were revised in all three major categories: local, state and federal. The majority of the increases were due to earned interest, unanticipated revenue in the activity funds and increase in funding on the state and federal levels.

Budget revisions related to expenditures were due to personnel and staff changes that were not anticipated and took place after the original budget was approved. Also, budget costs toward acquisition and construction did not occur as budgeted in the fiscal year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund 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 \$6,085,655, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$36,463 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$2,032,672 and total depreciation expense for the year was \$161,636, resulting in total net assets of \$4,052,983.

	<u>Capital Assets, Net of Depreciation</u>		Percentage
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Land	\$ 118,180	\$ 118,180	0.0 %
Buildings	2,704,521	2,771,254	-2.4 %
Building improvements	136,290	143,167	-4.8 %
Improvements other than buildings	811,095	852,653	-4.9 %
Mobile equipment	273,242	243,549	12.2 %
Furniture and equipment	9,655	14,968	-35.5 %
Total	\$ 4,052,983	\$ 4,143,771	-2.2 %

Debt Administration. At June 30, 2008, the District had \$941,491 in general obligation bonds and other long-term debt outstanding, of which \$165,925 is due within one year.

	<u>Outstanding Debt</u>		Percentage
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Three mill notes payable	533,000	578,000	-7.8.0 %
Obligations under capital leases	0	5,320	-100.0 %
Limited obligation bonds payable	370,000	482,000	-23.2 %
Compensated absences payable	38,491	46,508	-17.2 %
Total	\$ 941,491	\$ 1,111,828	-15.3 %

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage rates have remained relatively unchanged for the past several years. In addition, the District system of financial planning, budgeting and internal controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will increase slightly. The budget for the next fiscal year has taken this into account in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Union Public School District, P. O. Box 445, Union, MS 39365.

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BASIC FINANCIAL STATEMENTS

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Union Public School District
Statement of Net Assets
June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 2,651,914
Due from other governments	\$ 135,416
Inventories and prepaid items	\$ 23,816
Restricted assets (Note 4)	\$ 82,438
Non-depreciable capital assets (Note 5)	\$ 118,180
Depreciable capital assets, net (Note 5)	\$ 3,934,803
Total Assets	<u>\$ 6,946,567</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 455,030
Interest payable on long-term liabilities	\$ 11,148
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	\$ 164,000
Non-capital related liabilities	\$ 1,925
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	\$ 739,000
Non-capital related liabilities	\$ 36,566
Total Liabilities	<u>\$ 1,407,669</u>
Net assets	
Investment in capital assets (net of related debt)	\$ 3,149,983
Restricted net assets	
Expendable	
School-based activities	\$ 229,005
Debt service	\$ 67,102
Forestry improvements	\$ 73,227
Unemployment benefits	\$ 19,160
Non-expendable	
Sixteenth section	\$ 2,472
Unrestricted	<u>\$ 1,997,949</u>
Total Net Assets	<u>\$ 5,538,898</u>

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

Union Public School District
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 3,886,191	\$ 137,149	\$ 399,712	\$ (3,349,330)
Support services	\$ 2,483,190		\$ 450,103	\$ (2,033,087)
Non-instructional	\$ 392,921	\$ 148,082	\$ 301,000	\$ 56,161
Sixteenth section	\$ 4,464			\$ (4,464)
Interest and other expenses on long-term liabilities	\$ 43,380			\$ (43,380)
Total Governmental Activities	\$ 6,810,146	\$ 285,231	\$ 1,150,815	\$ (5,374,100)
General Revenues				
Taxes				
General purpose levies				\$ 811,448
Debt purpose levies				\$ 40,923
Unrestricted grants and contributions				
State				\$ 4,809,780
Federal				\$ 41,598
Unrestricted investment earnings				\$ 66,340
Sixteenth section sources				\$ 9,827
Other				\$ 28,949
Total General Revenues				\$ 5,808,865
Changes in Net Assets				\$ 434,765
Net Assets - Beginning				\$ 5,104,133
Net Assets - Ending				\$ 5,538,898

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

Union Public School District
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Local Funds	Other Governmental Funds	
Assets				
Cash and cash equivalents (Note 2)	\$ 1,245,652	\$ 1,024,458	\$ 464,242	\$ 2,734,352
Due from other governments	\$ 75,017		\$ 60,399	\$ 135,416
Due from other funds (Note 3)	\$ 42,828			\$ 42,828
Inventories and prepaid items	\$ 12,141		\$ 11,675	\$ 23,816
Total Assets	\$ 1,375,638	\$ 1,024,458	\$ 536,316	\$ 2,936,412
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	\$ 363,656		\$ 91,374	\$ 455,030
Due to other funds (Note 3)			\$ 42,828	\$ 42,828
Total Liabilities	\$ 363,656	\$ -	\$ 134,202	\$ 497,858
Fund Balances				
Reserved for				
Debt service purposes			\$ 78,250	\$ 78,250
Permanent fund purposes			\$ 2,472	\$ 2,472
Unemployment benefits			\$ 19,160	\$ 19,160
Forestry improvements			\$ 73,227	\$ 73,227
Inventory			\$ 11,675	\$ 11,675
Prepaid items	\$ 12,141			\$ 12,141
Unreserved				
Designated, reported in Capital Projects		\$ 1,024,458		\$ 1,024,458
Undesignated, reported in				
General fund	\$ 999,841			\$ 999,841
Special revenue funds			\$ 217,330	\$ 217,330
Total Fund Balances	\$ 1,011,982	\$ 1,024,458	\$ 402,114	\$ 2,438,554
Total Liabilities and Fund Balances	\$ 1,375,638	\$ 1,024,458	\$ 536,316	\$ 2,936,412

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

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

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 2,438,554
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$2,032,672.	\$ 4,052,983
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds.	\$ (941,491)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	<u>\$ (11,148)</u>
Total net assets - governmental activities	<u>\$ 5,538,898</u>

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

Union Public School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Capital Projects Local Funds	Other Governmental Funds	
Revenues				
Local sources	\$ 987,419	\$ 35,250	\$ 198,795	\$ 1,221,464
State sources	\$ 4,768,615		\$ 210,079	\$ 4,978,694
Federal sources	\$ 43,668		\$ 979,733	\$ 1,023,401
Sixteenth section sources			\$ 12,208	\$ 12,208
Total Revenues	\$ 5,799,702	\$ 35,250	\$ 1,400,815	\$ 7,235,767
Expenditures				
Instruction	\$ 3,311,521		\$ 484,705	\$ 3,796,226
Support services	\$ 2,080,544		\$ 413,106	\$ 2,493,650
Noninstructional services			\$ 391,317	\$ 391,317
Sixteenth section			\$ 4,464	\$ 4,464
Debt service				
Principal (Note 6)	\$ 5,320		\$ 157,000	\$ 162,320
Interest	\$ 139		\$ 44,792	\$ 44,931
Total Expenditures	\$ 5,397,524	\$ -	\$ 1,495,384	\$ 6,892,908
Excess (Deficiency) of Revenues Over Expenditures	\$ 402,178	\$ 35,250	\$ (94,569)	\$ 342,859
Other Financing Sources (Uses)				
Insurances loss recoveries	\$ 10,971			\$ 10,971
Sale of other property	\$ 650			\$ 650
Operating transfers in (Note 3)	\$ 68,002		\$ 179,996	\$ 247,998
Operating transfers out (Note 3)	\$ (179,996)	\$ (1,209)	\$ (66,793)	\$ (247,998)
Other financing uses	\$ (2,477)			\$ (2,477)
Total Other Financing Sources (Uses)	\$ (102,850)	\$ (1,209)	\$ 113,203	\$ 9,144
Net Change in Fund Balances	\$ 299,328	\$ 34,041	\$ 18,634	\$ 352,003
Fund Balances				
July 1, 2007	\$ 712,654	\$ 990,417	\$ 381,818	\$ 2,084,889
Increase in reserve for inventory			\$ 1,662	\$ 1,662
June 30, 2008	\$ 1,011,982	\$ 1,024,458	\$ 402,114	\$ 2,438,554

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

Union Public School District
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2008

Exhibit D-1

	<u>Amount</u>
Net change in fund balance - governmental funds	\$ 352,003
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$74,125 and the depreciation expense amounted to \$161,636.	\$ (87,511)
Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities.	\$ 162,320
Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds.	\$ 8,017
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities.	\$ (3,277)
Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.	\$ 1,551
The governmental funds reported a decrease in reserve for inventory while the transaction is not reported in the statement of activities.	<u>\$ 1,662</u>
Changes in net assets of governmental activities	<u>\$ 434,765</u>

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

Union Public School District
Statement of Net Assets - Fiduciary Funds
June 30, 2008

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 2)	\$ 8,350	\$ 38,659
Total Assets	\$ 8,350	\$ 38,659
Liabilities		
Accounts payable and accrued liabilities		\$ 2,549
Due to student clubs		\$ 36,110
Total Liabilities	\$ -	\$ 38,659
Net Assets		
Reserved for endowments	\$ 8,350	
Total Net Assets	\$ 8,350	

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

Union Public School District
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 159
Contributions and donations from private sources	<u>\$ 501</u>
Total Additions	<u>\$ 660</u>
Total Deductions	<u>\$ -</u>
Changes in Net Assets	<u>\$ 660</u>
Net Assets	
July 1, 2007	<u>\$ 7,690</u>
June 30, 2008	<u><u>\$ 8,350</u></u>

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

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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

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

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and the 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.
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

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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.

Capital Projects Local Fund – This capital projects fund is financed with local funds and will be used to account for future construction and renovation projects.

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:

Payroll Clearing Fund – This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing – This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts – These funds are used to account for the transaction of student clubs.

Trust fund – This private purpose trust fund is used to account for scholarships awarded to students.

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

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

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

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

FIDUCIARY FUNDS

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

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

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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

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

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

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

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.

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.

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 2008

E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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.

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 funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments.

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

4. Inventories and Prepaid Items.

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

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.

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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 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.

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.

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

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

7. Compensated Absences.

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

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

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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.

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.

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

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

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

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

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

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

Unreserved - designated for, reported in capital projects funds – An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

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

(2) Cash and Cash Equivalents.

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

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,734,352 and \$47,009, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$1,627,456. The bank balance was \$3,007,748.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 42,828
Total		\$ 42,828

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

B. Interfund Transfers.

Transfer Out	Transfer In	Amount
General Fund	Other governmental funds	\$ 179,996
Major fund – capital projects		
local funds	General Fund	\$ 1,209
Other governmental funds	General Fund	\$ 66,793
Total		\$ 247,998

The transfer out of the General Fund was for the purpose of funding the vocational program in the Other Governmental Funds. The remaining transfers were for indirect cost on federal programs and / or interest earned on unrestricted funds.

(4) Restricted Assets.

The restricted assets represent the cash balance, totaling \$82,438, of the sixteenth section principal fund, forestry escrow fund, debt service funds and capital projects funds designated by the school board which are legally restricted and may not be used for purposes that support the district's programs.

(5) Capital Assets.

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

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 2008

	Balance 7-1-2007	Additions	Retirements	Balance 6-30-2008
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 118,180			\$ 118,180
Total non-depreciable capital assets	\$ 118,180	\$ 0	\$ 0	\$ 118,180
<u>Depreciable capital assets:</u>				
Buildings	\$ 3,851,446			\$ 3,851,446
Building improvements	\$ 211,553			\$ 211,553
Improvements other than buildings	\$ 1,038,941			\$ 1,038,941
Mobile equipment	\$ 697,412	\$ 74,125	\$ (32,226)	\$ 739,311
Furniture and equipment	\$ 131,660		\$ (5,436)	\$ 126,224
Total depreciable capital assets	\$ 5,931,012	\$ 74,125	\$ (37,662)	\$ 5,967,475
<u>Less accumulated depreciation for:</u>				
Buildings	\$ 1,080,192	\$ 66,733		\$ 1,146,925
Building improvements	\$ 68,386	\$ 6,877		\$ 75,263
Improvements other than buildings	\$ 186,288	\$ 41,558		\$ 227,846
Mobile equipment	\$ 453,863	\$ 41,209	\$ (29,003)	\$ 466,069
Furniture and equipment	\$ 116,692	\$ 5,259	\$ (5,382)	\$ 116,569
Total depreciation	\$ 1,905,421	\$ 161,636	\$ (34,385)	\$ 2,032,672
Total depreciable capital assets, net	\$ 4,025,591	\$ (87,511)	\$ (3,277)	\$ 3,934,803
Governmental activities capital assets, net	\$ 4,143,771	\$ (87,511)	\$ (3,277)	\$ 4,052,983

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 89,965
Support services	\$ 68,405
Non-instructional	\$ 3,266
Total Depreciation Expense	161,636

(6) Long-term Liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Balance 6-30-2008	Amount due within one year
A. Limited obligation bonds payable	\$ 482,000		\$ 112,000	\$ 370,000	\$ 118,000
B. Three mill notes payable	\$ 578,000		\$ 45,000	\$ 533,000	\$ 46,000
C. Obligations under capital leases	\$ 5,320		\$ 5,320	\$ 0	
D. Compensated absences payable	\$ 46,508		\$ 8,017	\$ 38,491	\$ 1,925
Total	\$ 1,111,828	\$ 0	\$ 170,337	\$ 941,491	\$ 165,925

A. Limited obligation bonds payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district.

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 2008

Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, series 1998	4.75	5-1-98	5-1-11	\$ 1,095,000	\$ 370,000

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 118,000	\$ 17,575	\$ 135,575
2010	\$ 123,000	\$ 11,970	\$ 134,970
2011	\$ 129,000	\$ 6,128	\$ 135,128
Total	\$ 370,000	\$ 35,673	\$ 405,673

This debt will be retired from the MAEP Retirement Fund (Debt Service Fund).

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, series 2003	4.2	4-17-03	4-17-18	\$ 750,000	\$ 533,000

Details of the district's June 30, three mill notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 46,000	\$ 20,367	\$ 66,367
2010	\$ 48,000	\$ 18,757	\$ 66,757
2011	\$ 49,000	\$ 17,077	\$ 66,077
2012	\$ 51,000	\$ 15,362	\$ 66,362
2013	\$ 54,000	\$ 13,450	\$ 67,450
2014 – 2018	\$ 285,000	\$ 34,571	\$ 319,571
Total	\$ 533,000	\$ 119,584	\$ 652,584

This debt will be retired from the 1995 Debt Service Fund (Debt Service Fund).

C. Obligations under capital leases.

Obligations under capital leases were paid in full during the year.

D. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008 was 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 school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$431,273, \$379,206 and \$351,771, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2009	\$ 6,210
2010	6,210
2011	6,210
2012	4,922
2013	4,922
2014 – 2018	16,108
2019 – 2023	24,608
2024 – 2028	24,608
2029 – 2033	4,687
Thereafter	18,520
Total	<u>\$ 117,005</u>

(9) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 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

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 2008

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.

(10) Alternative School Consortium.

The Union Public School District entered into an Alternative School Agreement dated July 8, 2002 creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Newton County School District, Newton Municipal School District, Scott County School District, Forest Municipal School District, Neshoba County School District, Philadelphia Public School District, Union Public School District and Enterprise Municipal School District.

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

The Newton County School District has been designated as the lead school district for the East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.

(11) Vocational School Consortium.

The school district entered into a Vocational Education Agreement dated April 11, 1994 creating a vocational cooperative. This cooperative was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972) and was approved by the Mississippi Department of Education. The cooperative includes the Union Public School District and the Newton County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement for the construction or operation of a regional vocational education center. The agreement designates the fiscal agent and provides the method of financing the operation for the center, the manner in which the center is to be controlled and staffed and sets detail procedures for student admission and the transportation services for those students.

The Newton County School District has been designated as the fiscal agent for the cooperative and the operations of the cooperative are included in its financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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Union Public School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 935,144	\$ 987,419	\$ 987,419	\$ 52,275	\$ -
State sources	\$ 4,746,152	\$ 4,775,578	\$ 4,768,615	\$ 29,426	\$ (6,963)
Federal sources	\$ 11,060	\$ 43,668	\$ 43,668	\$ 32,608	\$ -
Total Revenues	\$ 5,692,356	\$ 5,806,665	\$ 5,799,702	\$ 114,309	\$ (6,963)
Expenditures					
Instruction	\$ 3,336,607	\$ 3,311,905	\$ 3,311,521	\$ 24,702	\$ 384
Support services	\$ 2,152,993	\$ 2,080,544	\$ 2,080,544	\$ 72,449	\$ -
Facilities acquisition and construction	\$ 55,000	\$ -	\$ -	\$ 55,000	\$ -
Debt service					
Principal	\$ 5,459	\$ 5,459	\$ 5,320	\$ -	\$ 139
Interest	\$ -	\$ -	\$ 139	\$ -	\$ (139)
Total Expenditures	\$ 5,550,059	\$ 5,397,908	\$ 5,397,524	\$ 152,151	\$ 384
Excess (Deficiency) of Revenues Over Expenditures	\$ 142,297	\$ 408,757	\$ 402,178	\$ 266,460	\$ (6,579)
Other Financing Sources (Uses)					
Insurance loss recoveries	\$ -	\$ 10,971	\$ 10,971	\$ 10,971	\$ -
Sale of other property	\$ -	\$ 650	\$ 650	\$ 650	\$ -
Operating transfers in	\$ 191,986	\$ 580,211	\$ 68,002	\$ 388,225	\$ (512,209)
Operating transfers out	\$ (373,343)	\$ (692,205)	\$ (179,996)	\$ (318,862)	\$ 512,209
Other financing uses		\$ 1,108	\$ (2,477)	\$ 1,108	\$ (3,585)
Total Other Financing Sources (Uses)	\$ (181,357)	\$ (99,265)	\$ (102,850)	\$ 82,092	\$ (3,585)
Special Items	\$ -	\$ (266)	\$ -	\$ (266)	\$ 266
Net Change in Fund Balances	\$ (39,060)	\$ 309,226	\$ 299,328	\$ 348,286	\$ (9,898)
Fund Balances					
July 1, 2007	\$ 712,654	\$ 712,654	\$ 712,654	\$ -	\$ -
June 30, 2008	\$ 673,594	\$ 1,021,880	\$ 1,011,982	\$ 348,286	\$ (9,898)

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

Union Public School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2008

(1) **Basis of Presentation.**

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

(2) **Budget Amendments and Revisions.**

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15 following the end of the fiscal year. A budgetary comparison is presented for the general fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States.

SUPPLEMENTARY INFORMATION

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Union Public School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 139,902
National school lunch program	10.555	\$ 338,680
Total child nutrition cluster		\$ 478,582
Total U.S. Department of Agriculture		\$ 478,582
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	\$ 16,103
Total Federal Communications Commission		\$ 16,103
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	\$ 11,350
Total		\$ 11,350
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 339,499
Safe and drug-free schools and communities - state grants	84.186	\$ 5,533
Twenty first century community learning centers	84.287	\$ 53,613
State grants for innovative programs	84.298	\$ 1,407
Education technology - state grants	84.318	\$ 2,595
Rural education	84.358	\$ 26,391
Improving teacher quality – state grants	84.367	\$ 59,354
Total		\$ 488,392
Special education cluster:		
Special education - grants to states	84.027	\$ 164,315
Special education - preschool grants	84.173	\$ 2,558
Total		\$ 166,873
Total passed-through Mississippi Department of Education		\$ 655,265
Total U.S. Department of Education		\$ 666,615
Total for All Federal Awards		\$ 1,161,300

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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Union Public School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2008

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 4,938,402	\$ 3,813,871	\$ 328,571	\$ 279,497	\$ 516,463
Other	\$ 1,954,506	\$ 829,940	\$ 120,890	\$ 15,711	\$ 987,965
Total	\$ 6,892,908	\$ 4,643,811	\$ 449,461	\$ 295,208	\$ 1,504,428
Total number of students	<u>879</u>				
Cost per student	<u>\$ 7,842</u>	<u>\$ 5,283</u>	<u>\$ 511</u>	<u>\$ 336</u>	<u>\$ 1,712</u>

Notes to the schedule.

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

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

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

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

OTHER SUPPLEMENTARY INFORMATION

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Union School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2008	2007*	2006*	2005*
Revenues				
Local sources	\$ 987,419	\$ 979,508	\$ 933,708	\$ 899,594
State sources	\$ 4,768,615	\$ 4,179,751	\$ 3,811,297	\$ 3,582,953
Federal sources	\$ 43,668	\$ 70,985	\$ 48,371	\$ 81,749
Total Revenues	<u>\$ 5,799,702</u>	<u>\$ 5,230,244</u>	<u>\$ 4,793,376</u>	<u>\$ 4,564,296</u>
Expenditures				
Instruction	\$ 3,311,521	\$ 3,036,913	\$ 2,810,997	\$ 2,677,775
Support services	\$ 2,080,544	\$ 1,766,816	\$ 1,631,588	\$ 1,408,457
Noninstructional services	\$ -	\$ 23,838	\$ -	\$ -
Facilities acquisition and construction	\$ -	\$ 500,146	\$ 5,625	\$ -
Debt service				
Principal	\$ 5,320	\$ 5,142	\$ 25,577	\$ 24,696
Interest	\$ 139	\$ 317	\$ 960	\$ 1,865
Total Expenditures	<u>\$ 5,397,524</u>	<u>\$ 5,333,172</u>	<u>\$ 4,474,747</u>	<u>\$ 4,112,793</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 402,178</u>	<u>\$ (102,928)</u>	<u>\$ 318,629</u>	<u>\$ 451,503</u>
Other Financing Sources (Uses)				
Proceeds of loans	\$ -	\$ -	\$ -	\$ 16,662
Insurances loss recoveries	\$ 10,971	\$ -	\$ 46,997	\$ -
Sale of other property	\$ 650	\$ 5,986	\$ -	\$ -
Operating transfers in	\$ 68,002	\$ 259,078	\$ 89,381	\$ 173,772
Other financing sources	\$ -	\$ -	\$ -	\$ -
Operating transfers out	\$ (179,996)	\$ (169,607)	\$ (217,591)	\$ (617,772)
Other financing uses	\$ (2,477)	\$ (6,232)	\$ -	\$ -
Total Other Financing Sources (Uses)	<u>\$ (102,850)</u>	<u>\$ 89,225</u>	<u>\$ (81,213)</u>	<u>\$ (427,338)</u>
Net Change in Fund Balances	<u>\$ 299,328</u>	<u>\$ (13,703)</u>	<u>\$ 237,416</u>	<u>\$ 24,165</u>
Fund Balances				
July 1	\$ 712,654	\$ 726,357	\$ 480,804	\$ 456,638
Prior period adjustments	\$ -	\$ -	\$ 8,137	\$ 1
July 1, as restated	<u>\$ 712,654</u>	<u>\$ 726,357</u>	<u>\$ 488,941</u>	<u>\$ 456,639</u>
June 30	<u>\$ 1,011,982</u>	<u>\$ 712,654</u>	<u>\$ 726,357</u>	<u>\$ 480,804</u>

* Source - prior year audit reports.

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

UNAUDITED

	2008	2007*	2006*	2005*
Revenues				
Local sources	\$ 1,221,464	\$ 1,213,232	\$ 1,130,000	\$ 1,097,205
State sources	\$ 4,978,694	\$ 4,380,109	\$ 4,019,237	\$ 3,807,656
Federal sources	\$ 1,023,401	\$ 1,027,994	\$ 1,025,466	\$ 1,130,558
Sixteenth section sources	\$ 12,208	\$ 15,587	\$ 17,242	\$ 92,019
Total Revenues	\$ 7,235,767	\$ 6,636,922	\$ 6,191,945	\$ 6,127,438
Expenditures				
Instruction	\$ 3,796,226	\$ 3,547,515	\$ 3,394,801	\$ 3,253,333
Support services	\$ 2,493,650	\$ 2,102,457	\$ 1,991,571	\$ 1,852,210
Noninstructional services	\$ 391,317	\$ 408,052	\$ 338,226	\$ 325,794
Sixteenth section	\$ 4,464	\$ 2,465	\$ 3,230	\$ 19,183
Facilities acquisition and construction	\$ -	\$ 500,146	\$ 46,076	\$ 381,569
Debt service				
Principal	\$ 162,320	\$ 157,142	\$ 171,577	\$ 164,696
Interest	\$ 44,931	\$ 51,677	\$ 58,594	\$ 65,520
Total Expenditures	\$ 6,892,908	\$ 6,769,454	\$ 6,004,075	\$ 6,062,305
Excess (Deficiency) of Revenues Over Expenditures	\$ 342,859	\$ (132,532)	\$ 187,870	\$ 65,133
Other Financing Sources (Uses)				
Proceeds of loans	\$ -	\$ -	\$ -	\$ 16,662
Insurances loss recoveries	\$ 10,971	\$ -	\$ 49,725	\$ -
Sale of other property	\$ 650	\$ 5,986	\$ -	\$ -
Operating transfers in	\$ 247,999	\$ 457,561	\$ 375,399	\$ 1,090,462
Operating transfers out	\$ (247,999)	\$ (457,561)	\$ (375,399)	\$ (1,090,462)
Other financing uses	\$ (2,477)	\$ (11,620)	\$ -	\$ -
Total Other Financing Sources (Uses)	\$ 9,144	\$ (5,634)	\$ 49,725	\$ 16,662
Net Change in Fund Balances	\$ 352,003	\$ (138,166)	\$ 237,595	\$ 81,795
Fund Balances				
July 1	\$ 2,084,889	\$ 2,222,014	\$ 1,981,847	\$ 1,900,291
Prior period adjustments	\$ -	\$ -	\$ -	\$ (21)
July 1, as restated	<u>\$ 2,084,889</u>	<u>\$ 2,222,014</u>	<u>\$ 1,981,847</u>	<u>\$ 1,900,270</u>
Increase (Decrease) in reserve for inventory	\$ 1,662	\$ 1,041	\$ 2,572	\$ (218)
June 30	<u>\$ 2,438,554</u>	<u>\$ 2,084,889</u>	<u>\$ 2,222,014</u>	<u>\$ 1,981,847</u>

* Source - prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Superintendent and School Board
Union Public School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Public School District as of and for the year ended June 30, 2008, which collectively comprise the district's basic financial statements and have issued my report thereon dated March 23, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

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 school district'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 school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. See Finding 2008-01, 2008-02, 2008-03 and 2008-04.

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.

My 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, I believe that none of the significant deficiencies described above is 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

The school district's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. I did not audit the school district's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the district's 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.



Ridgeland, MS
March 23, 2009

CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Superintendent and School Board
Union Public School District

Compliance

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

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

In my opinion, Union Public 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 Public School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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 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.

My consideration of 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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the district's 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.



Ridgeland, MS
March 23, 2009

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Union Public School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Public School District as of and for the year ended June 30, 2008, which collectively comprise Union Public School District's basic financial statements and have issued my report thereon dated March 23, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the Auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds."

The results of my 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. However, providing an opinion on compliance with these requirements was not an objective of my audit and, accordingly, I do not express such an opinion. The district reported \$3,803 of classroom supply funds carried over from previous years.

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

The results of my 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. However, providing an opinion on compliance with these requirements was not an objective of my audit and, accordingly, I do not express such an opinion.

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

The results of procedures performed to test compliance with certain other state laws and regulations as required by the state legal compliance audit program prescribed by the Office of the Mississippi State Auditor and my audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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



Ridgeland, MS
March 23, 2009

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Union Public School District
 Schedule of Findings and Questioned Costs
 June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2008-01.

CONDITION: There is a lack of segregation of duties in the receipting of cash receipts at the central office. The payroll clerk receipts the funds, codes the transaction, prepares the deposit, takes the deposit to the bank and enters the transaction into the accounting system.

CRITERIA: There should be controls in place to provide adequate segregation of duties over the receipting and depositing of funds. These controls should be of such nature to ensure the receipting, depositing and data entry of these funds are not handled by the same individual.

CAUSE OF CONDITION: This condition is caused by a poorly designed system of internal controls over cash receipts.

EFFECT OF CONDITION: This situation could result in errors occurring in the receipt of funds (posting, deposits, etc) and those errors not being prevented or detected within a timely manner.

RECOMMENDATION: It is recommended that the duties of receipting funds be segregated to the greatest extent possible such that no one individual performs all aspects of the transaction from beginning to end.

Union Public School District
Schedule of Findings and Questioned Costs
June 30, 2008

Finding 2008-02.

CONDITION: There is a lack of segregation of duties in the receipting of activity fund cash receipts at the schools. The school secretary receipts the funds, codes the transaction, prepares the deposit, takes the deposit to the bank and enters the transaction into the accounting system.

CRITERIA: There should be controls in place to provide adequate segregation of duties over the receipting of school activity funds. These controls should be of such nature to ensure the receipting, depositing and data entry of these funds are not handled by the same individual.

CAUSE OF CONDITION: This condition is caused by a poorly designed system of internal controls over cash receipts.

EFFECT OF CONDITION: This situation could result in errors occurring in the receipt of funds (posting, deposits, etc) and those errors not being prevented or detected within a timely manner.

RECOMMENDATION: It is recommended that the duties of receipting funds be segregated to the greatest extent possible such that no one individual performs all aspects of the transaction from beginning to end.

Finding 2008-03.

CONDITION: Blank checks were not properly secured.

CRITERIA: A well designed system of accounting controls would have blank checks stored in a secured (locked) location with access only available to limited personnel.

CAUSE OF CONDITION: The cause of this condition is the result of an inadequately designed system of accounting controls.

EFFECT OF CONDITION: This condition could result in unaccounted for checks or stolen checks with the possibility of intentional misuse and the condition not being detected by school management in a timely manner.

RECOMMENDATION: It is recommended that blank checks be kept in a secure and locked place with documented sign in and out procedures.

Finding 2008-04.

CONDITION: The business manager prepares, approves, enters and reviews all general journal entries.

CRITERIA: Good accounting controls would have these duties segregated to the greatest extent possible.

CAUSE OF CONDITION: The cause of this condition is due to a limited number of business office personnel.

EFFECT OF CONDITION: This condition could lead to errors in preparing and / or entering general journal entries

RECOMMENDATION: Due to the limited number of business office personnel, there is no recommendation to address this condition.

Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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.....
Union Public School District

March 27, 2009

As required by Section 315(c) of OMB Circular A-133, the Union Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2008.

Finding 2008-01

Corrective Action Plan

- a. Contact Person Responsible for Corrective Action: Bertha Darby
- b. Description of correction action to be taken: The district will segregate receiving of cash receipts between staff in the central office
- c. Anticipated completion date of corrective action: April 1st, 2009

Finding 2008-02

Corrective Action Plan

- a. Contact Person Responsible for Corrective Action: Bertha Darby
- b. Description of correction action to be taken: After receiving the monies and copies of receipts from each school office, the district office will assume the role of preparing the deposit, taking the deposit to the bank and entering the transaction into the accounting system.
- c. Anticipated completion date of corrective action: July 1st, 2009

Finding 2008-03

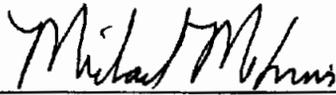
Corrective Action Plan

- a. Contact Person Responsible for Corrective Action: Bertha Darby
 - b. Description of correction action to be taken: The district office will secure check in locked filing cabinet with (2) keys assigned to superintendent and business manager. Checks needed for A/P and Payroll processing will be signed out by appropriate staff. The district is also considering mandatory direct deposit participation for payroll for the next fiscal year.
 - c. Anticipated completion date of corrective action: April 1st, 2009
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Finding 2008-04

Corrective Action Plan

- a. Contact Person Responsible for Corrective Action: Bertha Darby
- b. Description of correction action to be taken: At this time, the district does not have sufficient staff to accommodate the segregation of duties referred to in this finding.
- c. Anticipated completion date of corrective action: N/A



Dr. Michael McInnis, Superintendent

3/27/09

Date