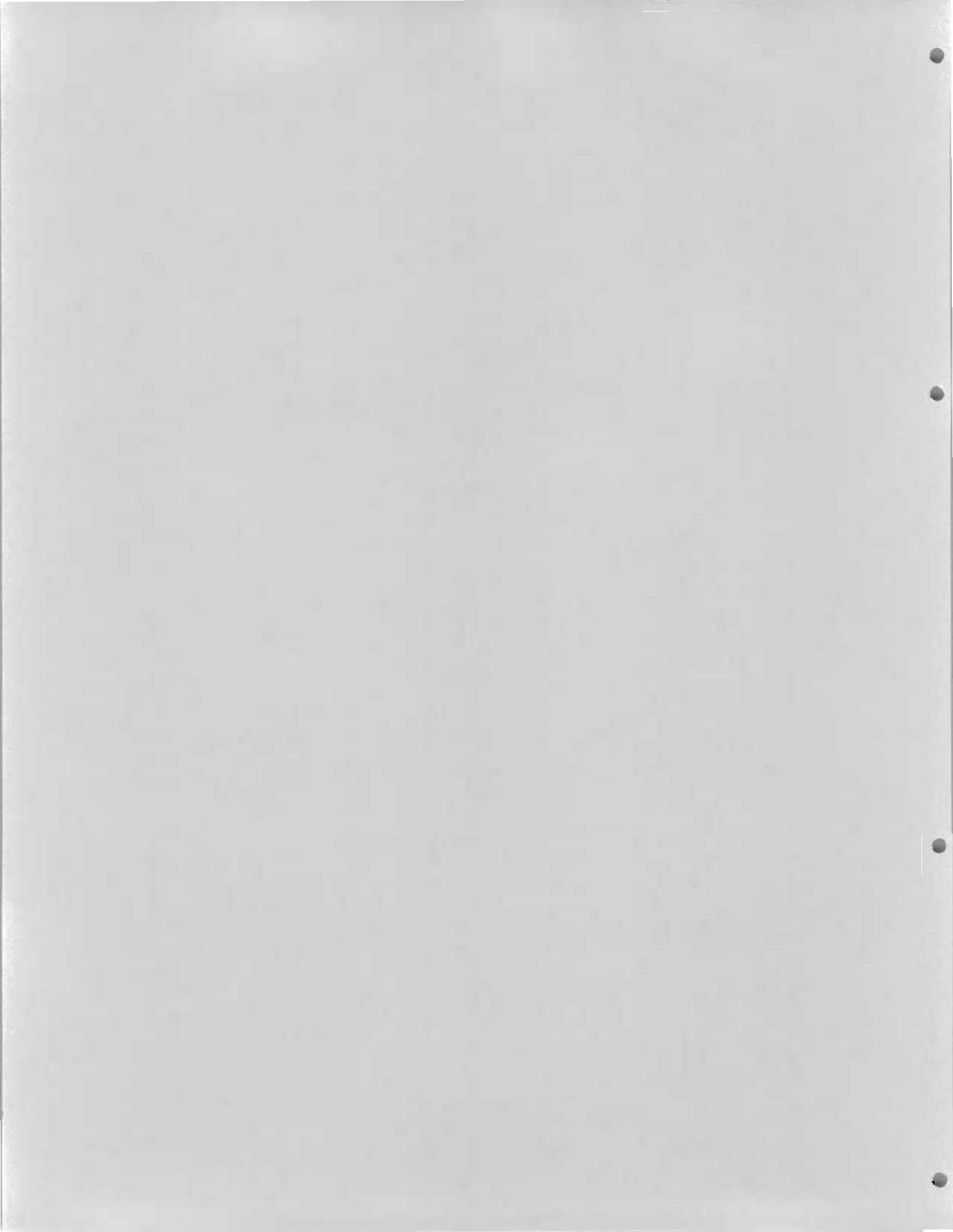




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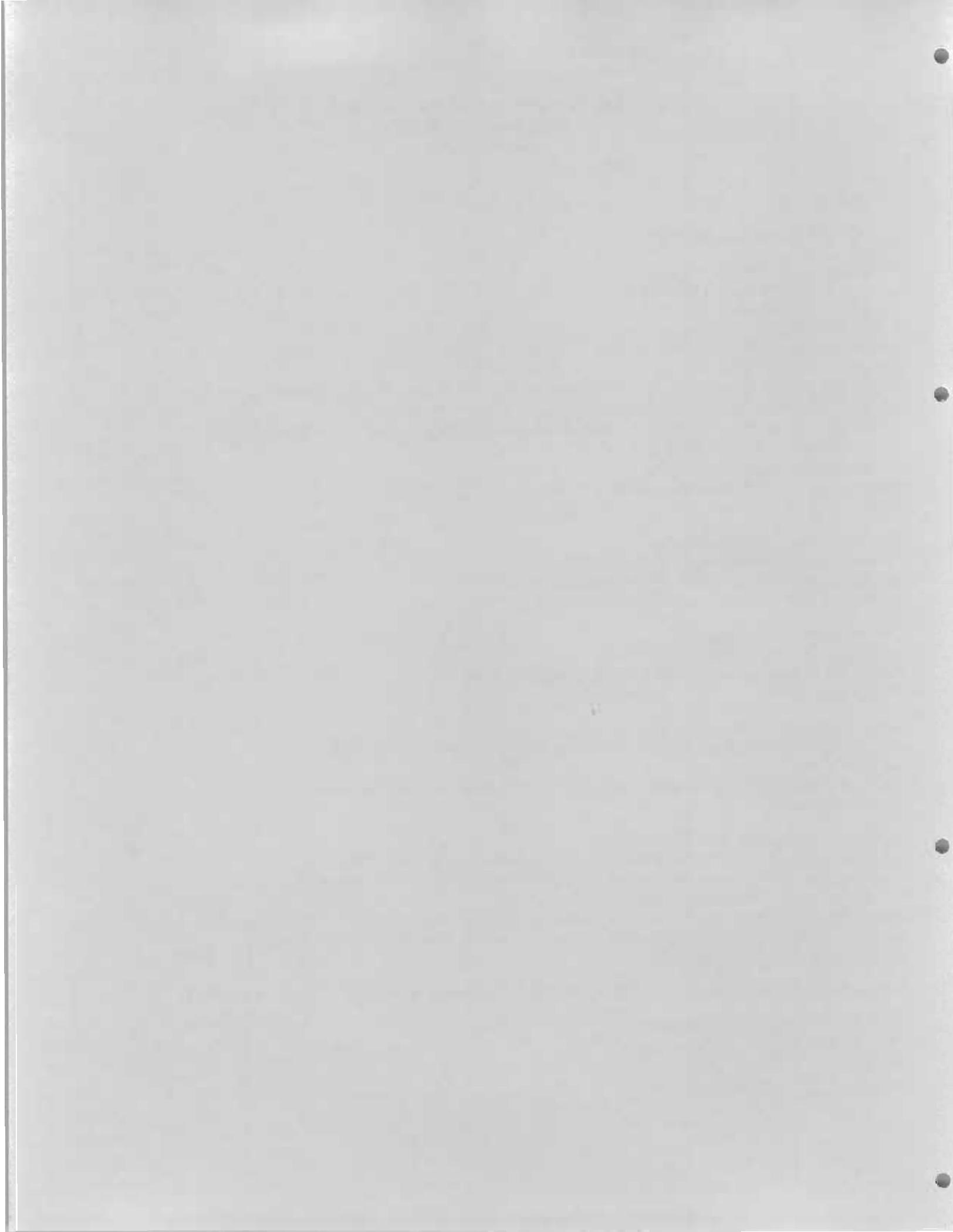


**UNION COUNTY SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**



**UNION COUNTY SCHOOL DISTRICT  
TABLE OF CONTENTS  
JUNE 30, 2011**

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Government-wide Financial Statements	
Exhibit A - Statement of Net Assets	11
Exhibit B - Statement of Activities	12
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	13
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Exhibit D - Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Exhibit D-1 - Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes In Fund Balances to the Statement of Activities	16
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	17
Notes to the Financial Statements	18-35
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	36
Budgetary Comparison Schedule - Major Special Revenue Funds	37
Notes to the Required Supplementary Information	38
Supplementary Information	
Schedule of Expenditures of Federal Awards	39-40
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	41
Other Information	
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund, Last Four Years	42
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	43
Reports on Internal Controls and Compliance	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct And Material Effect on Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	46-47
Independent Auditor's Report on Compliance with State Laws and Regulations	48-49
Schedule of Findings and Questioned Costs	50-51





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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Union County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2011, which collectively comprise the Union County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Union County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2012, on our consideration of the Union County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union County School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Pyramus, Vanstony & Co. P.A*

May 31, 2012  
Booneville, Mississippi

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

The discussion and analysis of Union County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net assets for 2011 increased \$778,902 which represents 7.70% increase from fiscal year 2010. The total net assets for 2010 decreased \$41,733, including a prior period adjustment of \$40,460, which represents a 0.41% decrease from fiscal year 2009.
- General revenues amounted to \$16,236,224 and \$16,001,178, or 77% and 79% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,910,923, or 23% of the total revenues for 2011, and \$4,380,910, or 21% of the total revenues for 2010.
- The District had \$20,368,245 and \$20,464,281 in expenses for fiscal years 2011 and 2010; only \$4,910,923 for 2011 and \$4,380,910 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$16,236,224 for 2011 were adequate, and \$16,001,178 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$15,983,913 in revenues and \$14,785,655 in expenditures for 2011, and \$15,596,815 in revenues and \$15,556,474 in expenditures for 2010. The General Fund's fund balance increased by \$969,973 from 2010 to 2011, and decreased by \$114,977 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$1,405,525 for 2011 and \$406,654, including a prior period adjustment of \$35,595, for 2010. The increase for 2011 was primarily due to the completion of additions/renovations to four buildings with the increase in accumulated depreciation.
- Long-term debt decreased by \$432,074 for 2011 and increased by \$2,462,105 for 2010. The decrease for 2011 was due primarily to the principal payments on debt. The liability for compensated absences increased by \$35,204 for 2011 and by \$5,250 for 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information and other information.

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

**Fund Financial Statements**

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

**Governmental funds** – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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 funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined 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. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, are presented for purposes of additional analysis 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 the District's financial position. Assets exceeded liabilities by \$10,889,422 as of June 30, 2011.

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

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

**Table 1  
Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 7,094,285	\$ 8,426,541	-15.81%
Restricted assets	155,703	151,991	2.44%
Capital assets, net	10,999,828	9,594,303	14.65%
<b>Total assets</b>	<u>18,249,816</u>	<u>18,172,835</u>	0.42%
Current liabilities	1,163,186	1,433,033	-18.83%
Long-term debt outstanding	6,197,208	6,629,282	-6.52%
<b>Total liabilities</b>	<u>7,360,394</u>	<u>8,062,315</u>	-8.71%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	4,991,739	3,118,936	60.05%
Restricted	1,640,473	3,703,195	-55.70%
Unrestricted	4,257,210	3,288,389	29.46%
<b>Total net assets</b>	<u>\$ 10,889,422</u>	<u>\$ 10,110,520</u>	7.70%

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

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

- Increase in net capital assets in the amount of \$1,405,525.
- The principal retirement of \$467,268 of long-term debt.

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$21,147,147 and \$20,382,088, respectively. The total cost of all programs and services was \$20,368,245 for 2011 and \$20,464,281 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 2  
Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,301,833	\$ 1,333,765	-2.39%
Operating grants and contributions	3,609,090	3,047,145	18.44%
General revenues:			
Property taxes	2,970,975	2,746,347	8.18%
Grants and contributions not restricted	13,101,271	12,889,090	1.65%
Investment earnings	45,958	98,887	-53.52%
Other	118,020	266,854	-55.77%
<b>Total revenues</b>	<u>21,147,147</u>	<u>20,382,088</u>	3.75%
<b>Expenses:</b>			
Instruction	12,401,248	12,448,375	-0.38%
Support services	5,973,359	5,995,474	-0.37%
Non-instructional	1,868,257	1,847,754	1.11%
Interest and other expense on long-term liabilities	125,381	172,678	-27.39%
<b>Total expenses</b>	<u>20,368,245</u>	<u>20,464,281</u>	-0.47%
<b>Increase(decrease) in net assets</b>	<u>778,902</u>	<u>(82,193)</u>	-1047.65%
<b>Net assets, July 1, as originally reported</b>	10,110,520	10,152,253	-0.41%
<b>Prior period adjustment</b>	-	40,460	N/A
<b>Net assets, July 1, as restated</b>	<u>10,110,520</u>	<u>10,192,713</u>	-0.81%
<b>Net assets, June 30</b>	<u>\$ 10,889,422</u>	<u>\$ 10,110,520</u>	7.70%

**Governmental activities.** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term debt. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and inter-governmental aid provided for specific programs). The net cost presents the financial

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Instruction	\$ 12,401,248	\$ 12,448,375	-0.38%
Support services	5,973,359	5,995,474	-0.37%
Non-instructional	1,868,257	1,847,754	1.11%
Interest on long-term liabilities	125,381	172,678	-27.39%
<b>Total expenses</b>	<u>\$ 20,368,245</u>	<u>\$ 20,464,281</u>	-0.47%

	<u>Net (Expense) Revenue</u>		<u>Percentage</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Instruction	\$ (9,812,401)	\$ (10,290,638)	-4.65%
Support services	(5,217,246)	(5,358,520)	-2.64%
Non-instructional	(302,294)	(261,535)	15.58%
Interest on long-term liabilities	(125,381)	(172,678)	-27.39%
<b>Total net (expense) revenue</b>	<u>\$ (15,457,322)</u>	<u>\$ (16,083,371)</u>	-3.89%

- Net cost of governmental activities (\$15,457,322 for 2011 and \$16,083,371 for 2010) was financed by general revenue, which is primarily made up of property taxes of (\$2,970,975 for 2011 and \$2,746,347 for 2010) and state and federal revenues of (\$13,101,271 for 2011 and \$12,889,090 for 2010).

- Investment earnings amounted to \$45,958 for 2011 and \$98,887 for 2010.

**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 accessing the District's financing requirements. In particular, unassigned 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 \$6,088,502, a decrease of \$1,059,665, which includes an increase in inventory of \$28,702. \$1,725,401 or 28% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,363,101 or 72% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

only for the purposes to which it is restricted, committed or assigned.

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 \$969,973. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,029,638, which includes an increase in inventory of \$28,702. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Special Education Fund	no increase or decrease

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$17,704,303, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$1,670,048 from 2010. Total accumulated depreciation as of June 30, 2011, was \$6,704,475, and total depreciation expense for the year was \$512,502, resulting in total net capital assets of \$10,999,828.

**Table 4  
Capital Assets, Net of Accumulated Depreciation**

	June 30, 2011	June 30, 2010	Percentage Change
Land	\$ 351,601	\$ 351,601	0.00%
Construction in progress	7,200	351,997	-97.95%
Buildings	7,660,066	5,638,348	35.86%
Building improvements	1,946,633	2,058,097	-5.42%
Improvements other than buildings	106,967	116,707	-8.35%
Mobile equipment	726,036	874,282	-16.96%
Furniture and equipment	201,325	203,271	-0.96%
<b>Total</b>	<b>\$ 10,999,828</b>	<b>\$ 9,594,303</b>	<b>14.65%</b>

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

**UNION COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Debt Administration.** At June 30, 2011, the District had \$6,197,208 in outstanding long-term debt, of which \$471,159 is due within one year. The liability for compensated absences increased \$35,204 from the prior year.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Change</u>
Limited obligation bonds payable	\$ 2,625,000	\$ 2,915,000	-9.95%
Obligations under energy efficiency leases	383,089	560,367	-31.64%
Qualified school construction bonds payable	3,000,000	3,000,000	n/a
Compensated absences payable	189,119	153,915	22.87%
<b>Total</b>	<u>\$ 6,197,208</u>	<u>\$ 6,629,282</u>	-6.52%

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

**Current Issues**

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

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

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

Enrollment for the 2010-2011 year decreased by 6.08% to 2,593 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report, contact the Superintendent's Office of the Union County School District, 250 Carter Avenue, New Albany, MS 38652

**UNION COUNTY SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2011**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,006,332
Cash with fiscal agent	80,000
Investments	2,800,000
Due from other governments	1,103,632
Accrued interest receivable	21,063
Other receivables, net	1,490
Inventories	47,718
Deferred debt issuance costs	34,050
Restricted assets	155,703
Capital assets, non-depreciable:	
Land	351,601
Construction in progress	7,200
Capital assets, net of accumulated depreciation:	
Buildings	7,660,066
Building improvements	1,946,633
Improvements other than buildings	106,967
Mobile equipment	726,036
Furniture and equipment	201,325
	<u>18,249,816</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,118,329
Unearned revenue	9,107
Interest payable on long-term liabilities	35,750
Long-term liabilities, due within one year:	
Capital related liabilities	471,159
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,536,930
Non-capital related liabilities	189,119
	<u>7,360,394</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	4,991,739
Restricted for:	
Expendable:	
School based activities	637,617
Debt service	578,956
Capital improvements	367,380
Unemployment benefits	56,520
Unrestricted	4,257,210
	<u>\$ 10,889,422</u>

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

**UNION COUNTY SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
<b>Governmental Activities</b>					<b>Governmental Activities</b>
Instruction	\$ 12,401,248	801,770	1,787,077	-	(9,812,401)
Support services	5,973,359	-	756,113	-	(5,217,246)
Noninstructional services	1,868,257	500,063	1,065,900	-	(302,294)
Interest on long-term debt	125,381	-	-	-	(125,381)
<b>Total governmental activities</b>	<b>\$ 20,368,245</b>	<b>1,301,833</b>	<b>3,609,090</b>	<b>-</b>	<b>(15,457,322)</b>
General Revenues:					
Taxes:					
					2,795,112
					175,863
Unrestricted grants and contributions:					
					12,141,884
					959,387
					45,958
					118,020
					<u>16,236,224</u>
					<u>778,902</u>
					<u>10,110,520</u>
					<u>\$ 10,889,422</u>

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

**UNION COUNTY SCHOOL DISTRICT**  
**Balance Sheet – Governmental Funds**  
**June 30, 2011**

	Major Funds			Total
	General Fund	EHA Part B Fund	Other Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,715,735	-	1,290,597	3,006,332
Cash with fiscal agent	-	-	80,000	80,000
Investments	2,750,000	-	205,703	2,955,703
Due from other governments	326,946	318,432	458,254	1,103,632
Accrued interest receivable	21,063	-	-	21,063
Due from other funds	559,033	-	-	559,033
Inventories	-	-	47,718	47,718
<b>Total Assets</b>	<b>5,372,777</b>	<b>318,432</b>	<b>2,082,272</b>	<b>7,773,481</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	960,500	37,923	119,906	1,118,329
Due to other funds	-	280,509	277,034	557,543
Unearned revenue	-	-	9,107	9,107
<b>Total liabilities</b>	<b>960,500</b>	<b>318,432</b>	<b>406,047</b>	<b>1,684,979</b>
<b>Fund Balances:</b>				
Nonspendable:				
Inventory	-	-	47,718	47,718
Restricted for:				
Capital projects	-	-	367,380	367,380
Debt service funds	-	-	614,707	614,707
Food services	-	-	471,716	471,716
Grant activities	-	-	118,184	118,184
Unemployment benefits	-	-	56,520	56,520
Committed:				
Band building	329,712	-	-	329,712
Assigned:				
Activity funds	169,905	-	-	169,905
Building improvements	137,158	-	-	137,158
Long range building	2,050,101	-	-	2,050,101
Unassigned:	1,725,401	-	-	1,725,401
<b>Total fund balances</b>	<b>4,412,277</b>	<b>-</b>	<b>1,676,225</b>	<b>6,088,502</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,372,777</b>	<b>\$ 318,432</b>	<b>\$ 2,082,272</b>	<b>\$ 7,773,481</b>

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

**UNION COUNTY SCHOOL DISTRICT**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2011**

Total fund balances for governmental funds \$ 6,088,502

Amounts reported for governmental activities in the statement  
of net assets are different because:

- 1 Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds:

Land	351,601	
Construction in progress	7,200	
Buildings	11,193,378	
Building improvements	2,786,594	
Improvements other than buildings	243,495	
Mobile equipment	2,532,779	
Furniture and equipment	589,256	
Accumulated depreciation	<u>(6,704,475)</u>	10,999,828

- 2 Long-term liabilities and related accrued interest are not due and payable  
in the current period and therefore are not reported in the funds:

Limited obligation bonds	(2,625,000)	
Capital leases payable	(383,089)	
Qualified school construction bonds	(3,000,000)	
Compensated absences	(189,119)	
Unamortized charges	34,050	
Accrued interest payable	<u>(35,750)</u>	(6,198,908)

Net assets of governmental activities \$ 10,889,422

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

**UNION COUNTY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2011**

	Major Funds			Total
	General Fund	EHA Part B Fund	Other Governmental Funds	
<b>Revenue:</b>				
Local sources	\$ 3,836,889	-	599,897	4,436,786
State sources	11,968,757	-	654,451	12,623,208
Federal sources	178,267	505,095	3,403,790	4,087,152
Total revenues	<u>15,983,913</u>	<u>505,095</u>	<u>4,658,138</u>	<u>21,147,146</u>
<b>Expenditures:</b>				
Instruction	9,332,520	334,772	2,491,247	12,158,539
Support services	4,760,437	170,323	815,310	5,746,070
Noninstructional services	493,537	-	1,413,067	1,906,604
Facilities acquisition and construction	-	-	1,873,667	1,873,667
Debt service:				
Principal	177,278	-	290,000	467,278
Interest	21,883	-	106,795	128,678
Other	-	-	1,500	1,500
Total expenditures	<u>14,785,655</u>	<u>505,095</u>	<u>6,991,586</u>	<u>22,282,336</u>
Excess of revenues over (under) expenditures	<u>1,198,258</u>	<u>-</u>	<u>(2,333,448)</u>	<u>(1,135,190)</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	36,681	-	-	36,681
Sale of other property	11,177	-	-	11,177
Operating transfers in	78,053	-	354,196	432,249
Operating transfers out	(354,196)	-	(78,053)	(432,249)
Other financing uses	-	-	(1,035)	(1,035)
Total other financing sources (uses)	<u>(228,285)</u>	<u>-</u>	<u>275,108</u>	<u>46,823</u>
Net change in fund balances	<u>969,973</u>	<u>-</u>	<u>(2,058,340)</u>	<u>(1,088,367)</u>
<b>Fund Balances:</b>				
July 1, 2010	3,442,304	-	3,705,863	7,148,167
Increase (decrease) in reserve for inventory	-	-	28,702	28,702
June 30, 2011	<u>\$ 4,412,277</u>	<u>-</u>	<u>1,676,225</u>	<u>6,088,502</u>

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

**UNION COUNTY SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2011**

Net change in fund balances - total governmental funds \$ (1,088,367)

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,945,581	
Depreciation expense	<u>(512,502)</u>	1,433,079

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.

(27,554)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	467,278	
Accrued interest payable	<u>5,833</u>	473,111

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(35,204)	
Change in inventory reserve	28,702	
Amortization of deferred charges, premiums and discounts	<u>(4,865)</u>	(11,367)

Change in net assets of governmental activities

\$ 778,902

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

**UNION COUNTY SCHOOL DISTRICT**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2011**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 82,550</u>
Total assets	<u><u>82,550</u></u>
<b>Liabilities</b>	
Due to other funds	1,490
Due to student clubs	<u>81,060</u>
Total liabilities	<u><u>\$ 82,550</u></u>

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

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 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. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statements No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Union County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading 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.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note I - Summary of Significant Accounting Policies (Continued)

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of 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, are 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 taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

General Fund – This is the school district’s primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

EHA Part B Fund – This fund is used to account for the federal revenues and expenditures of the Special Education Program.

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 District’s fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

GOVERNMENTAL FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds – Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

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

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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. Measureable 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.

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

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

F. Assets, liabilities, and net assets/fund balances

(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.

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Assets, liabilities, and net assets/fund balances (Continued)

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

Activities 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 inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund 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.

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

(5) Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes.

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

(6) Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets 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 table below.

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 the capitalization thresholds:

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

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

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

(7) Compensated Absences (Continued)

The liability for these compensated absences is recorded as a long-term liability 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 liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

(9) Fund balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the Board.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the Board of Education.

**Union County School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

(9) Fund balances (Continued)

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), and bond sinking funds (Debt Service Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (Continued)

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,806,332 (which includes \$2,800,000 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$82,550, respectively.

*Custodial Credit Risk -- Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$6,882,460 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$80,000.

Investments

As of June 30, 2011, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	None	1- 1.5	\$ 2,800,000
Hancock Horizon Treasury Securities Money Market Mutual Funds	AAA	Less than 1	155,703
<b>Total</b>			<b>\$ 2,955,703</b>

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

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

*Custodial Credit Risk -- Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (Continued)

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

Note 3 - Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General fund	EHA Part B	\$ 280,509
	Other governmental funds	277,034
	Fiduciary funds	1,490
Total funds		<u>\$ 559,033</u>

The purpose of the interfund loans was to cover federal and state funds not received prior to year-end, indirect costs and amounts due from agency funds.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 354,196
Other governmental funds	General	78,053
Total funds		<u>\$ 432,249</u>

The principal purpose of interfund transfers was to provide funds for daily operation or for indirect costs.

Note 4 – Restricted Assets

The restricted assets represent the investment balance, totaling \$155,703, of the Limited Obligation Bonds Payable (State Aid Capital Improvements Refunding Series, 2008).

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 5 - Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Completed Construction	Balance 6/30/2011
<b>Governmental Activities:</b>					
<u>Non-Depreciable capital assets:</u>					
Land	\$ 351,601	-	-	-	351,601
Construction in progress	351,997.0	1,873,667	-	(2,218,464)	7,200
Total non-depreciable assets	<u>703,598</u>	<u>1,873,667</u>	<u>-</u>	<u>(2,218,464)</u>	<u>358,801</u>
<u>Depreciable capital assets:</u>					
Buildings	8,974,914	-	-	2,218,464	11,193,378
Building improvements	2,786,594	-	-	-	2,786,594
Improvements other than buildings	243,495	-	-	-	243,495
Mobile equipment	2,802,886	5,426	(275,533)	-	2,532,779
Furniture and equipment	522,768	66,488	-	-	589,256
Total depreciable capital assets	<u>15,330,657</u>	<u>71,914</u>	<u>(275,533)</u>	<u>2,218,464</u>	<u>17,345,502</u>
<u>Less accumulated depreciation:</u>					
Buildings	3,336,566	196,746	-	-	3,533,312
Building improvements	728,497	111,464	-	-	839,961
Improvements other than buildings	126,788	9,740	-	-	136,528
Mobile equipment	1,928,604	126,118	(247,979)	-	1,806,743
Furniture and equipment	319,497	68,434	-	-	387,931
Total accumulated depreciation	<u>6,439,952</u>	<u>512,502</u>	<u>(247,979)</u>	<u>-</u>	<u>6,704,475</u>
Total depreciable capital assets, net	<u>8,890,705</u>	<u>(440,588)</u>	<u>(27,554)</u>	<u>2,218,464</u>	<u>10,641,027</u>
Governmental activities capital assets, net	<u>\$ 9,594,303</u>	<u>1,433,079</u>	<u>(27,554)</u>	<u>-</u>	<u>10,999,828</u>

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 208,891
Support services	256,674
Non-instructional	46,937
Total depreciation expense	\$ 512,502

The capital assets above include significant amounts of buildings and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities		
Ingomar Attendance Center	\$ 7,200	-
Total	\$ 7,200	-

This project was in the design and development phase as of 6-30-11. No contracts were outstanding, therefore, there are no remaining commitments.

The balance of the project is to be completed out of QSCB Capital Projects Fund.

Note 6 - Long-term liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A Limited obligation bonds payable	\$ 2,915,000	-	290,000	2,625,000	300,000
B Obligations under energy efficiency lease	560,367	-	177,278	383,089	171,159
C Qualified school construction bonds	3,000,000	-	-	3,000,000	-
D Compensated absences payable	153,915	35,204	-	189,119	-
				-	-
	\$ 6,629,282	35,204	467,278	6,197,208	471,159

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 6 - Long-term liabilities (Continued)

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding, Series 2008	2.2-3.60%	06/30/08	02/01/18	\$ 3,075,000	2,625,000
				<u>\$ 3,075,000</u>	<u>2,625,000</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 300,000	82,463	382,463
2013	310,000	72,550	382,550
2014	320,000	62,313	382,313
2015	325,000	51,831	376,831
2016	340,000	41,025	381,025
2017-2018	1,030,000	47,116	1,077,116
	<u>\$ 2,625,000</u>	<u>357,298</u>	<u>2,982,298</u>

This debt will be retired from the Bond Retirement fund.

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

B. Obligations under energy efficiency lease

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under energy efficiency lease	4.00%	3/4/05	3/4/14	\$ 1,513,170	383,089
Total				<u>\$ 1,513,170</u>	<u>383,089</u>

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 6 - Long-term liabilities (Continued)

B. Obligations under energy efficiency lease (Continued)

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 171,159	12,682	183,841
2013	178,132	5,709	183,841
2014	33,798	305	34,103
	<u>\$ 383,089</u>	<u>18,696</u>	<u>401,785</u>

This debt will be retired from the District Maintenance fund.

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

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

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

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

C. Qualified school construction bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0.69%	12/29/09	9/15/24	\$ 3,000,000	3,000,000
Total				<u>\$ 3,000,000</u>	<u>3,000,000</u>

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 6 - Long-term liabilities (Continued)

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.

Note 7 - Prior Year Defeasance of Debt

In prior years, the Union County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2011, \$255,000 of bonds outstanding were defeased.

Note 8 - Defined Benefit Pension Plan

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

**Funding Policy.** PERS members are required to contribute 9.00% 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, 2011 was 12.00% 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, 2011, 2010, and 2009, were \$1,396,536, \$1,395,336, and \$1,353,588, respectively, which equaled the required contributions for each year.

Note 9 - Contingencies

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

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 10 - 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 72 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 11 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$80,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 11 – Qualified School Construction Bonds (Continued)

Year Ending June 30	Amount
2012	\$ 208,000
2013	208,000
2014	208,000
2015	208,000
2016	208,000
2017-2021	1,044,000
2022-2025	836,000
<b>Total</b>	<b>\$ 2,920,000</b>

The EEF Building and Buses revenue has been pledged for this debt.

On October 5, 2009, the Union County School Board pledged its EEF Building and Buses revenue of \$74,561 annually for payment on the Qualified School Construction Bonds loan, subject to any prior pledge for the benefit of any obligation that is currently outstanding.

The debt issued was for the purpose of construction, repairs, and equipment for the school district. The commitment will begin with the 2010-2011 school year and end with the 2024-2025 school year. The revenue from the state varies from year to year, but is all used for the debt retirement. For the year 2010-2011, the EEF revenue was \$85,087.

Note 12 – Alternative School Consortium

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

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

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

**Union County School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2011**

Note 13 - Vocational School Consortium

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

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

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

Note 14 – Insurance loss recoveries

The Union County School District received \$36,681 in insurance loss recoveries related to storm damage at Myrtle and two auto accidents during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction of expenditures and allocated among the expenditure functions based on use as follows:

Insurance loss recoveries	Percentage	Expenditure function
\$ 36,681	100.00%	Support services

Note 15 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements were available to be issued must be evaluated for recognition of disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Union County School District evaluated the activity of the district through March 15, 2012 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

**Union County School District**  
**Budgetary Comparison for the General Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenue:</b>					
Local sources	\$ 4,242,803	3,836,889	3,836,889	(405,914)	-
State sources	12,090,624	11,991,558	11,968,757	(99,066)	(22,801)
Federal sources	118,684	178,267	178,267	59,583	-
<b>Total revenues</b>	<b>16,452,111</b>	<b>16,006,714</b>	<b>15,983,913</b>	<b>(445,397)</b>	<b>(22,801)</b>
<b>Expenditures:</b>					
Instruction	10,839,139	9,332,520	9,332,520	1,506,619	-
Support services	4,897,968	4,783,238	4,760,437	114,730	22,801
Noninstructional services	510,035	493,537	493,537	16,498	-
Facilities acquisition and construction	30,107	-	-	30,107	-
Debt Service:					
Principal	177,913	177,278	177,278	635	-
Interest	21,248	21,883	21,883	(635)	-
<b>Total expenditures</b>	<b>16,476,410</b>	<b>14,808,456</b>	<b>14,785,655</b>	<b>1,667,954</b>	<b>22,801</b>
Excess (deficiency) of revenues over expenditures	(24,299)	1,198,258	1,198,258	1,222,557	-
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	36,681	36,681	36,681	-
Sale of other property	-	11,177	11,177	11,177	-
Operating transfers in	1,763,523	1,904,734	78,053	141,211	(1,826,681)
Operating transfers out	(2,132,531)	(2,180,877)	(354,196)	(48,346)	1,826,681
<b>Total other financing sources (uses)</b>	<b>(369,008)</b>	<b>(228,285)</b>	<b>(228,285)</b>	<b>140,723</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(393,307)</b>	<b>969,973</b>	<b>969,973</b>	<b>1,363,280</b>	<b>-</b>
<b>Fund Balance:</b>					
July 1, 2010	3,224,173	3,442,304	3,442,304	218,131	-
June 30, 2011	\$ 2,830,866	4,412,277	4,412,277	1,581,411	-

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

**Union County School District**  
**Budgetary Comparison Schedule for EHA Part B Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variances	
	Original	Final		Positive (Negative)	
			GAAP Basis	Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 525,936	505,095	505,095	(20,841)	-
Total revenues	525,936	505,095	505,095	(20,841)	-
<b>Expenditures:</b>					
Instruction	365,652	334,772	334,772	30,880	-
Support services	160,284	170,323	170,323	(10,039)	-
Noninstructional services	-	-	-	-	-
Total expenditures	525,936	505,095	505,095	20,841	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Net change in fund balance	-	-	-	-	-
<b>Fund Balance:</b>					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ -	-	-	-	-

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

**Union County School District**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2011**

Budgetary Comparison Schedule

1) Basis of Presentation

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

2) Budget Amendments and Revisions

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

**UNION COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 325,307
National school lunch program	10.555	836,633
Total Child Nutrition Cluster		<u>1,161,940</u>
Total Passed-through MDE		<u>1,161,940</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,161,940</u>
<b>Federal Communications Commission</b>		
Passed-through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	38,261
<b>Total Federal Communications Commission</b>		<u>38,261</u>
<b>U.S. Department of Education</b>		
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and communities - state grants		
	84.186	245
Improving teacher quality - state grants	84.367	103,223
ARRA-State fiscal stabilization fund, education state grants, Recovery Act	84.394	801,916
Education jobs fund	84.410	598,822
<b>Total</b>		<u>1,504,206</u>
Education Technology cluster:		
Education technology state grant	84.318	4,045
ARRA-Education technology state grant, Recovery Act	84.386	7,916
Total Education Technology cluster		<u>11,961</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	504,719
ARRA-Title I grants to local education agencies, Recovery Act	84.389	44,259
Total Title I cluster		<u>548,978</u>
Special Education Cluster		
Special education - grants to states	84.027	525,891
Special education - preschool grants	84.173	19,251
ARRA-special education-grants to states, Recovery Act	84.391	169,012
ARRA-special education-preschool grants, Recovery Act	84.392	12,825
Total Special Education Cluster		<u>726,979</u>
Total Passed-through MDE		<u>2,792,124</u>
<b>Total U.S. Department of Education</b>		<u>2,792,124</u>

**UNION COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U. S. Department of Health and Human Services</b>		
Passed-through Mississippi Department of Health and Human Services:		
Abstinence education program	93.235	4,893
Total passed-through Mississippi Department of Health and Human Services		<u>4,893</u>
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	35,142
Total passed-through Mississippi Department of Education		<u>35,142</u>
<b>Total U. S. Department of Health and Human Services</b>		<u>40,035</u>
<b>Total for All Federal Awards</b>		<u>\$ 4,032,360</u>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the 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 County School District**  
**Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds**  
**June 30, 2011**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 15,544,369	12,236,022	652,925	983,597	1,671,825
Other	6,737,967	1,269,151	211,882	129,603	5,127,331
<b>Total</b>	<b>\$ 22,282,336</b>	<b>13,505,173</b>	<b>864,807</b>	<b>1,113,200</b>	<b>6,799,156</b>
 Total Number of Students *	 2,593				
 Cost per Student	 \$ 8,593	 5,208	 334	 429	 2,622

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

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

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

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

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

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 3,836,889	\$ 3,793,317	\$ 3,543,130	\$ 3,278,736
Intermediate sources	-	-	-	3,000
State sources	11,968,757	11,660,000	12,913,443	12,975,501
Federal sources	178,267	143,498	150,373	220,493
<b>Total revenues</b>	<b>15,983,913</b>	<b>15,596,815</b>	<b>16,606,946</b>	<b>16,477,730</b>
<b>Expenditures:</b>				
Instruction	9,332,520	9,841,464	10,494,739	10,570,977
Support services	4,760,437	4,994,341	5,017,626	4,674,619
Noninstructional services	493,537	501,633	470,891	418,877
Facilities acquisition	-	30,108	-	-
Debt Service:				
Principal	177,278	162,145	162,008	160,436
Interest	21,883	26,783	32,008	37,950
<b>Total expenditures</b>	<b>14,785,655</b>	<b>15,556,474</b>	<b>16,177,272</b>	<b>15,862,859</b>
Excess (deficiency) of revenues over(under) expenditures	1,198,258	40,341	429,674	614,871
<b>Other Financing Sources (Uses):</b>				
Sale of other property	11,177	-	-	1,410
Insurance loss recovery	36,681	13,971	18,959	-
Operating transfers in	78,053	236,729	179,821	68,500
Operating transfers out	(354,196)	(406,018)	(431,736)	(469,064)
<b>Total other financing sources</b>	<b>(228,285)</b>	<b>(155,318)</b>	<b>(232,956)</b>	<b>(399,154)</b>
<b>Net change in fund balances</b>	<b>969,973</b>	<b>(114,977)</b>	<b>196,718</b>	<b>215,717</b>
<b>Fund balances:</b>				
Beginning of period, as originally reported	3,442,304	3,557,281	3,360,563	3,117,091
Prior period adjustments	-	-	-	27,755
<b>Beginning of period, as restated</b>	<b>3,442,304</b>	<b>3,557,281</b>	<b>3,360,563</b>	<b>3,144,846</b>
<b>End of period</b>	<b>\$ 4,412,277</b>	<b>\$ 3,442,304</b>	<b>\$ 3,557,281</b>	<b>\$ 3,360,563</b>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

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

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 4,436,786	\$ 4,445,853	\$ 4,232,802	\$ 3,937,179
Intermediate sources	-	-	-	3,000
State sources	12,623,208	12,243,641	13,695,021	14,156,804
Federal sources	4,087,152	3,692,594	2,304,892	2,451,859
<b>Total revenues</b>	<b>21,147,146</b>	<b>20,382,088</b>	<b>20,232,715</b>	<b>20,548,842</b>
<b>Expenditures:</b>				
Instruction	12,158,539	12,359,542	12,011,564	12,707,450
Support services	5,746,070	6,133,391	5,450,290	5,146,097
Noninstructional services	1,906,604	1,820,457	1,828,178	1,647,953
Facilities acquisition and construction	1,873,667	346,510	-	-
Debt Service:				
Principal	467,278	543,145	575,318	574,406
Interest	128,678	134,433	104,842	196,310
Other	1,500	-	-	63,991
<b>Total expenditures</b>	<b>22,282,336</b>	<b>21,337,478</b>	<b>19,970,192</b>	<b>20,336,207</b>
Excess (deficiency) of revenues over(under) expenditures	(1,135,190)	(955,390)	262,523	212,635
<b>Other Financing Sources (Uses):</b>				
Proceeds of limited obligation bonds	-	-	-	3,075,000
Premium on debt issuance	-	-	-	15,346
Payment to refunded bond escrow agent	-	-	-	(3,027,079)
Proceeds of loans	-	3,000,000	221,000	178,310
Sale of other property	11,177	-	-	1,410
Insurance loss recovery	36,681	13,971	18,959	-
Operating transfers in	432,249	642,747	611,557	537,564
Operating transfers out	(432,249)	(642,747)	(611,557)	(537,564)
Other financing uses	(1,035)	(1,035)	-	-
<b>Total other financing sources</b>	<b>46,823</b>	<b>3,012,936</b>	<b>239,959</b>	<b>242,987</b>
<b>Net change in fund balances</b>	<b>(1,088,367)</b>	<b>2,057,546</b>	<b>502,482</b>	<b>455,622</b>
<b>Fund balances:</b>				
Beginning of period, as originally reported	7,148,167	5,096,204	4,593,981	4,117,587
Prior period adjustments	-	-	-	27,755
Beginning of period, as restated	7,148,167	5,096,204	4,593,981	4,145,342
Increase(decrease) in reserve for inventory	28,702	(5,583)	(259)	(6,983)
<b>End of period</b>	<b>\$ 6,088,502</b>	<b>\$ 7,148,167</b>	<b>\$ 5,096,204</b>	<b>\$ 4,593,981</b>

\* SOURCE - PRIOR YEAR AUDIT REPORTS



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

Superintendent and School Board  
Union County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County School District as of and for the year ended June 30, 2011, which collectively comprise Union County School District's basic financial statements and have issued our report thereon dated May 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Union County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain other matter that we reported to management in a separate letter dated May 31, 2012.

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.

*Pegawee Vanstony & Co. P.A.*

May 31, 2012  
Booneville, Mississippi



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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

Superintendent and School Board  
Union County School District

Compliance

We have audited the compliance of the Union County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Union County School 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 requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Union County School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control over Compliance

The management of the Union County 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 our audit, we considered Union County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our audit procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

*Pyrawater, Verostany & Co. P.A.*

May 31, 2012  
Booneville, Mississippi



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

Superintendent and School Board  
Union County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2011, which collectively comprise Union County School District's basic financial statements and have issued our report thereon dated May 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$5,078 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding: One retired employee who was rehired by the District was paid \$944 more than allowed by law as noted on Form 4-B

Recommendation: We recommend that salaries paid to retirees be all inclusive and not exceed that which is allowed by law as noted on Form 4-B.

Response: We will closely monitor the retirees allowable salaries to insure this does not happen again.

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

The Union County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

*Parsons Vansteyn & Co. P.A.*

May 31, 2012

Booneville, Mississippi

**Union County School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? No
  - b. Significant deficiency(ies) identified? None reported
3. Noncompliance material to financial statements noted? No

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No
  - b. Significant deficiency(ies) identified? None Reported
5. Type of auditor's report issued on compliance for major programs: Unqualified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133? No
7. Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

a.

CFDA# 84.027, 84.173, 84.391, 84.392

Special Education Cluster

b.

CFDA# 84.394

ARRA-State fiscal stabilization fund, education state  
Gants, Recovery Act

c.

CDFFA# 84.410

Education jobs fund

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? No

Section 2: Financial Statement Findings

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

**Union County School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

Section 3: Federal Award Findings and Questioned Costs

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

