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UNION PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

Charles L. Shivers, CPA
Ridgeland, MS

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FINANCIAL AUDIT REPORT

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CHARLES L. SHIVERS

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

Superintendent and School Board
Union Public School District

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

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Public School District as of June 30, 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*, I have also issued my report dated March 20, 2012, on my consideration of the Union Public School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

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

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

Charles L Shivers, CPA

Ridgeland, MS
March 20, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Union Public 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 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 \$495,366 which represents an 8.5% increase from fiscal year 2010. Total net assets for 2010 increased \$161,450, including a prior period adjustment of (\$9,484), which represents a 2.8% increase from fiscal year 2009.
- General revenues amounted to \$5,235,940 and \$5,398,728, or 70.5% and 75.4% 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 \$2,188,962, or 29.5% of total revenues for 2011, and \$1,763,031, or 24.6% of total revenues for 2010.
- The District had \$6,929,536 and \$6,990,825 in expenses for fiscal years 2011 and 2010; only \$2,188,962 for 2011 and \$1,763,031 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,235,940 for 2011 and \$5,398,728 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,141,242 in revenues and \$4,657,334 in expenditures for 2011, and \$4,991,613 in revenues and \$4,850,147 in expenditures in 2010. The General Fund's fund balance increased by \$313,647 from 2010 to 2011, and increased by \$17,715 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$107,087 for 2011 and decreased by \$147,452 for 2010. The decrease for 2011 was due to the disposal of assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$178,000 for 2011 and decreased by \$171,000 for 2010. This increase/decrease for 2011 was due primarily to the issuance of general/limited obligation bonds/principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$7,434 for 2011 and increased by \$6,423 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 supplemental information, supplemental information, and other information.

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 differences 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 its 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 periods.

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

Fund Financial Statements

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

Governmental funds – 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.

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 Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental 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.

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a 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 Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

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 \$6,337,703 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 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 | \$ 3,221,601 | \$ 2,980,135 | 8.10 % |
| Restricted assets | 321,259 | 115,525 | 178.09 % |
| Capital assets, net | 3,646,396 | 3,753,483 | -2.85 % |
| Total assets | 7,189,256 | 6,849,143 | 4.97 % |
| Current liabilities | 420,261 | 390,080 | 7.74 % |
| Long-term debt outstanding | 431,292 | 616,726 | -30.07 % |
| Total liabilities | 851,553 | 1,006,806 | -15.42 % |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 3,256,396 | 3,185,483 | 2.23 % |
| Restricted | 739,113 | 635,741 | 16.26 % |
| Unrestricted | 2,342,194 | 2,021,113 | 15.89 % |
| Total net assets | \$ 6,337,703 | \$ 5,842,337 | 8.48 % |

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

- Decrease in net capital assets in the amount of \$107,087.
- The principal retirement of \$178,000 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 \$7,424,902 and \$7,161,759, respectively. The total cost of all programs and services was \$6,929,536 for 2011 and \$6,990,825 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> |
|--|-------------------------------------|-------------------------------------|------------------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 341,457 | \$ 277,570 | 23.02 % |
| Operating grants and contributions | 1,847,505 | 1,485,461 | 24.37 % |
| General revenues: | | | |
| Property taxes | 886,284 | 861,474 | 2.88 % |
| Grants and contributions not restricted | 4,162,304 | 4,303,475 | (3.28) % |
| Investment earnings | 11,984 | 22,006 | (45.54) % |
| Sixteenth section sources | 175,368 | 143,805 | 21.95 % |
| Other | - | 67,968 | (100.00) % |
| Total revenues | <u>7,424,902</u> | <u>7,161,759</u> | 3.67 % |
| Expenses: | | | |
| Instruction | 4,058,363 | 4,157,241 | (2.38) % |
| Support services | 2,342,839 | 2,357,240 | (0.61) % |
| Non-instructional | 425,164 | 433,181 | (1.85) % |
| Sixteenth section | 82,069 | 12,478 | 557.71 % |
| Interest and other expenses on long-term liabilities | 21,101 | 30,685 | (31.23) % |
| Total expenses | <u>6,929,536</u> | <u>6,990,825</u> | (0.88) % |
| Increase (Decrease) in net assets | <u>495,366</u> | <u>170,934</u> | 189.80 % |
| Net Assets, July 1, as originally reported * | <u>5,842,337</u> | <u>5,680,887</u> | 2.84 % |
| Prior Period Adjustment | <u>-</u> | <u>(9,484)</u> | (100.00) % |
| Net Assets, July 1, as restated * | <u>5,842,337</u> | <u>5,671,403</u> | 3.01 % |
| Net Assets, June 30 | <u>\$ 6,337,703</u> | <u>\$ 5,842,337</u> | 8.48 % |

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest and other expenses on long-term debt. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial 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 Change</u> |
|--|----------------------------|----------------------------|------------------------------|
| | <u>2011</u> | <u>2010</u> | |
| Instruction | \$ 4,058,363 | \$ 4,157,241 | (2.38) % |
| Support services | 2,342,839 | 2,357,240 | (0.61) % |
| Non-instructional | 425,164 | 433,181 | (1.85) % |
| Sixteenth section | 82,069 | 12,478 | 557.71 % |
| Interest and other expenses on long-term liabilities | 21,101 | 30,685 | (31.23) % |
| Total expenses | <u>\$ 6,929,536</u> | <u>\$ 6,990,825</u> | (0.88) % |

| | <u>Net (Expense) Revenue</u> | | <u>Percentage Change</u> |
|--|------------------------------|-----------------------|--------------------------|
| | <u>2011</u> | <u>2010</u> | |
| Instruction | \$ (2,679,742) | \$ (3,334,056) | (19.63) % |
| Support services | (1,988,889) | (1,903,155) | 4.50 % |
| Non-instructional | 31,227 | 52,580 | (40.61) % |
| Sixteenth section | (82,069) | (12,478) | 557.71 % |
| Interest and other expenses on long-term liabilities | (21,101) | (30,685) | (31.23) % |
| Total net (expense) revenue | \$ (4,740,574) | \$ (5,227,794) | (9.32) % |

- Net cost of governmental activities (\$4,740,574 for 2011 and \$5,227,794 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$886,284 for 2011 and \$861,474 for 2010) and state and federal revenues (\$4,162,304 for 2011 and \$4,303,475 for 2010). In addition, there was \$175,368 and \$143,805 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$11,984 for 2011 and \$22,006 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 assessing 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 \$3,125,713, an increase of \$414,915, which includes an increase in inventory of \$2,895. \$1,031,833 or 33.0% 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 \$2,093,880 or 67.0% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except 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 \$313,647. The fund balance of Other Governmental Funds showed an increase in the amount of \$20,715, which includes an increase in reserve for inventory of \$2,895. The increase in the fund balances for the other major funds were as follows:

| <u>Major Fund</u> | <u>Increase (Decrease)</u> |
|----------------------------|----------------------------|
| 16th Section Interest Fund | \$ 80,553 |

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 fund(s) is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$6,122,847, including land, construction in progress, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$34,489 from 2010. Total accumulated depreciation as of June 30, 2011, was \$2,476,451, and total depreciation expense for the year was \$147,876, resulting in total net capital assets of \$3,646,396.

Table 4
Capital Assets, Net of Accumulated Depreciation

| | <u>June 30, 2011</u> | <u>June 30, 2010</u> | <u>Percentage Change</u> |
|-----------------------------------|----------------------------|----------------------------|------------------------------|
| Land | \$ 118,180 | \$ 118,180 | 0.00 % |
| Construction in Progress | 41,489 | 0 | N/A |
| Buildings | 2,504,322 | 2,571,055 | (2.60) % |
| Building improvements | 115,659 | 122,536 | (5.61) % |
| Improvements other than buildings | 681,168 | 727,979 | (6.43) % |
| Mobile equipment | 183,287 | 206,015 | (11.03) % |
| Furniture and equipment | 2,291 | 7,718 | (70.32) % |
| Total | <u><u>\$ 3,646,396</u></u> | <u><u>\$ 3,753,483</u></u> | (2.85) % |

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

Debt Administration. At June 30, 2011, the District had \$431,292 in outstanding long-term debt, of which \$53,065 is due within one year. The liability for compensated absences decreased \$7,434 from the prior year.

Table 5
Outstanding Long-Term Debt

| | <u>June 30, 2011</u> | <u>June 30, 2010</u> | <u>Percentage Change</u> |
|----------------------------------|--------------------------|--------------------------|------------------------------|
| Limited obligation bonds payable | \$ 0 | \$ 129,000 | (100.00) % |
| Three mill notes payable | 390,000 | 439,000 | (11.16) % |
| Compensated absences payable | 41,292 | 48,726 | (15.26) % |
| Total | <u><u>\$ 431,292</u></u> | <u><u>\$ 616,726</u></u> | (30.07) % |

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Union Public School District, 417 South Decatur Street, Union, MS 39365.

FINANCIAL STATEMENTS

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Union Public School District
Statement of Net Assets
June 30, 2011

Exhibit A

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 2,988,765 |
| Due from other governments | 220,588 |
| Inventories | 12,248 |
| Restricted assets (Note 4) | 321,259 |
| Non-depreciable capital assets (Note 5) | 159,669 |
| Depreciable capital assets, net (Note 5) | 3,486,727 |
| Total Assets | <u><u>7,189,256</u></u> |
| Liabilities | |
| Accounts payable and accrued liabilities | 397,262 |
| Interest payable on long-term liabilities | 3,114 |
| Other payables | 19,885 |
| Long-term liabilities (Due within one year) (Note 6) | |
| Capital related liabilities | 51,000 |
| Non-capital related liabilities | 2,065 |
| Long-term liabilities (Due beyond one year) (Note 6) | |
| Capital related liabilities | 339,000 |
| Non-capital related liabilities | 39,227 |
| Total Liabilities | <u><u>851,553</u></u> |
| Net assets | |
| Invested in capital assets, net of related debt | 3,256,396 |
| Restricted net assets | |
| Expendable | |
| School-based activities | 623,578 |
| Debt service | 11,548 |
| Forestry improvements | 86,259 |
| Unemployment benefits | 15,504 |
| Non-expendable | |
| Sixteenth section | 2,224 |
| Unrestricted | <u>2,342,194</u> |
| Total Net Assets | <u><u>\$ 6,337,703</u></u> |

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

Union Public School District
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

| Functions / Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets Governmental Activities |
|---|------------------|-------------------------|--|---|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities | | | | |
| Instruction | \$ 4,058,363 | 188,380 | 1,190,241 | (2,679,742) |
| Support services | 2,342,839 | | 353,950 | (1,988,889) |
| Non-instructional | 425,164 | 153,077 | 303,314 | 31,227 |
| Sixteenth section | 82,069 | | | (82,069) |
| Interest and other expenses on long-term liabilities | 21,101 | | | (21,101) |
| Total Governmental Activities | 6,929,536 | 341,457 | 1,847,505 | (4,740,574) |
| General Revenues | | | | |
| Taxes | | | | |
| | | | | 847,681 |
| | | | | 38,603 |
| Unrestricted grants and contributions | | | | |
| | | | | 4,122,568 |
| | | | | 39,736 |
| Unrestricted investment earnings | | | | |
| | | | | 11,984 |
| Sixteenth section sources | | | | |
| | | | | 175,368 |
| | | | | <u>5,235,940</u> |
| | | | | <u>495,366</u> |
| | | | | <u>5,842,337</u> |
| | | | | <u>\$ 6,337,703</u> |

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

Union Public School District
Balance Sheet - Governmental Funds
June 30, 2011

Exhibit C

| | Major Funds | | | Total Governmental Funds |
|--|---------------------|----------------------------------|--------------------------------|--------------------------------|
| | General Fund | 16th Section Interest Fund | Other Governmental Funds | |
| Assets | | | | |
| Cash and cash equivalents (Note 2) | \$ 2,564,863 | 423,902 | 321,259 | 3,310,024 |
| Due from other governments | 65,106 | | 155,482 | 220,588 |
| Due from other funds (Note 3) | 89,601 | | 4,210 | 93,811 |
| Inventories | | | 12,248 | 12,248 |
| Total Assets | 2,719,570 | 423,902 | 493,199 | 3,636,671 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable & accrued liabilities | 316,199 | 431 | 80,632 | 397,262 |
| Due to other funds (Note 3) | | | 93,811 | 93,811 |
| Other payables | 19,885 | | | 19,885 |
| Total Liabilities | 336,084 | 431 | 174,443 | 510,958 |
| Fund Balances | | | | |
| Nonexpendable | | | | |
| Inventory | | | 12,248 | 12,248 |
| Permanent fund principal | | | 2,224 | 2,224 |
| Restricted | | | | |
| Debt service | | | 14,662 | 14,662 |
| Forestry improvements | | | 86,259 | 86,259 |
| Unemployment benefits | | | 15,504 | 15,504 |
| Grant activities | | | 187,458 | 187,458 |
| Committed | | | | |
| Contractual commitments | 215,954 | | | 215,954 |
| Assigned | | | | |
| Classroom additions | 1,002,083 | | | 1,002,083 |
| Technology improvements | 18,095 | | | 18,095 |
| School activities | 115,521 | | | 115,521 |
| Other purposes | | 423,471 | 401 | 423,872 |
| Unassigned | 1,031,833 | | | 1,031,833 |
| Total Fund Balances | 2,383,486 | 423,471 | 318,756 | 3,125,713 |
| Total Liabilities and Fund Balances | \$ 2,719,570 | 423,902 | 493,199 | 3,636,671 |

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

Union Public School District
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2011

Exhibit C-1

| | <u>Amount</u> |
|--|----------------------------|
| Total Fund Balance - Governmental Funds | \$ 3,125,713 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation of \$2,476,451. | 3,646,396 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | (431,292) |
| Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues. | <u>(3,114)</u> |
| Total Net Assets - Governmental Activities | <u><u>\$ 6,337,703</u></u> |

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

Union Public School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2011

Exhibit D

| | Major Funds | | | Total Governmental Funds |
|--|---------------------|----------------------------------|--------------------------------|--------------------------------|
| | General Fund | 16th Section Interest Fund | Other Governmental Funds | |
| Revenues | | | | |
| Local sources | \$ 1,046,544 | | 193,182 | 1,239,726 |
| State sources | 4,054,963 | | 204,687 | 4,259,650 |
| Federal sources | 39,735 | | 1,709,908 | 1,749,643 |
| Sixteenth section sources | | 175,368 | 515 | 175,883 |
| Total Revenues | 5,141,242 | 175,368 | 2,108,292 | 7,424,902 |
| Expenditures | | | | |
| Instruction | 2,815,125 | | 1,165,292 | 3,980,417 |
| Support services | 1,842,209 | | 436,669 | 2,278,878 |
| Noninstructional services | | | 428,059 | 428,059 |
| Sixteenth section | | 67,901 | 14,168 | 82,069 |
| Facilities acquisition and construction | | | 41,489 | 41,489 |
| Debt service | | | | |
| Principal (Note 6) | | | 178,000 | 178,000 |
| Interest | | | 23,205 | 23,205 |
| Total Expenditures | 4,657,334 | 67,901 | 2,286,882 | 7,012,117 |
| Excess (Deficiency) of Revenues Over Expenditures | 483,908 | 107,467 | (178,590) | 412,785 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in (Note 3) | 55,580 | | 286,506 | 342,086 |
| Operating transfers out (Note 3) | (225,296) | (26,914) | (89,876) | (342,086) |
| Other financing uses | (545) | | (220) | (765) |
| Total Other Financing Sources (Uses) | (170,261) | (26,914) | 196,410 | (765) |
| Net Change in Fund Balances | 313,647 | 80,553 | 17,820 | 412,020 |
| Fund Balances | | | | |
| July 1, 2010 | 2,069,839 | 342,918 | 298,041 | 2,710,798 |
| Increase in reserve for inventory | | | 2,895 | 2,895 |
| June 30, 2011 | \$ 2,383,486 | 423,471 | 318,756 | 3,125,713 |

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

Union Public School District
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2011

Exhibit D-1

| | <u>Amount</u> |
|---|-------------------|
| Net Change in Fund Balance - Governmental Funds | \$ 412,020 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$41,489 and the depreciation expense amounted to \$147,876. | (106,387) |
| The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets. | 178,000 |
| Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due. | 2,104 |
| The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds but is reported as a reduction of net capital assets on the Statement of Activities, along with any gain or loss. | (700) |
| An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the Statement of Activities. | 2,895 |
| Expenses for compensated absences reported in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | <u>7,434</u> |
| Changes in Net Assets of Governmental Activities | <u>\$ 495,366</u> |

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

Union Public School District
Statement of Net Assets - Fiduciary Funds
June 30, 2011

Exhibit E

| | <u>Private-Purpose Trust Funds</u> | <u>Agency Funds</u> |
|--|--|-------------------------|
| Assets | | |
| Cash and cash equivalents (Note 2) | \$ 7,624 | 46,430 |
| Total Assets | <u>7,624</u> | <u>46,430</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | | 1,095 |
| Due to student clubs | | <u>45,335</u> |
| Total Liabilities | <u>0</u> | <u>46,430</u> |
| Net Assets | | |
| Reserved for endowments | <u>7,624</u> | |
| Total Net Assets | <u>\$ 7,624</u> | |

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

Union Public School District
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

Exhibit F

| | <u>Private-Purpose Trust Funds</u> |
|---------------------------------------|--|
| Additions | |
| Total Additions | <u>\$ -</u> |
| Deductions | |
| Scholarships awarded | 250 |
| Total Deductions | <u>250</u> |
| Changes in Net Assets | <u>(250)</u> |
| Net Assets | |
| July 1, 2010 , as originally reported | 9,821 |
| Prior period adjustments | (1,947) |
| July 1, 2010, as restated | <u>7,874</u> |
| June 30, 2011 | <u>\$ 7,624</u> |

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

Union Public School District
Notes to Financial Statements
For the Year Ended June 30, 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 Statement 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Union since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

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:

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.

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

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.

16th Section Interest Fund - This special revenue fund is used to account for the financial resources associated with expendable revenues derived from the use of 16th section lands held in trust by the School District.

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

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

The District's fiduciary funds include the following:

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

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

Student Club Accounts - These funds are used to account for the transactions of student clubs.

Scholarship Fund - This fund is used to account for the scholarships paid to students.

Additionally, the school district reports the following fund types:

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.

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.

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

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

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

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

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

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

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

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

The effect of 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 the revenues 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.

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

E. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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.

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, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

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

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 | * | * |
| Intangible assets | ** | ** |

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

(**) The estimated useful life is based on the district's specific intangible asset(s). There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

7. Compensated Absences

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

The liability for these compensated absences is recorded as 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.

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

8. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

9. Fund 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 documented in the board minutes of the School 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 or Business Manager pursuant to authorization established by the School Board.

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

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

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,310,024 and \$54,054, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$3,310,024, which includes Restricted Assets.

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.

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 | Other governmental funds | \$ 89,601 |
| Other governmental funds | Other governmental funds | 4,210 |
| Total | | <u>\$ 93,811</u> |

The purpose of the more significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of normal closing adjustments.

B. Inter-fund Transfers

| Transfers Out | Transfers In | Amount |
|---|--------------------------|-------------------|
| General Fund | Other governmental funds | \$ 225,296 |
| Major fund - 16th section interest fund | General Fund | 3,064 |
| | Other governmental funds | 23,850 |
| Other governmental funds | General Fund | 52,516 |
| | Other governmental funds | 37,360 |
| Total | | <u>\$ 342,086</u> |

The transfer to the Other Governmental Funds was for the purpose of funding the vocational program. The transfer from the 16th Section Interest Fund was for the purpose of transferring accumulated interest earned to the General fund and the required allocation to the Forestry Escrow Fund. The transfer from the Other Governmental Funds to the General Fund was for the purpose of transferring indirect cost.

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

Note 4 -- Restricted Assets

The restricted assets represent the cash balance for certain funds which is legally restricted and may not be used for purposes that support the district's programs.

| Funds with Restricted Balances | Account | Amount |
|--------------------------------|---------|--------------------------|
| Cafereria fund | Cash | \$ 184,743 |
| EEF classfrom supplies fund | Cash | 4,022 |
| Title II technology fund | Cash | 44 |
| Vocational education fund | Cash | 7,691 |
| Vocational tec prep fund | Cash | 2,192 |
| Safe and drug free fund | Cash | 4 |
| Workers compensation fund | Cash | 15,404 |
| Forestry escrow fund | Cash | 86,259 |
| Tobacco free fund | Cash | 5,044 |
| Three mill note fund | Cash | 13,231 |
| 16th section principal fund | | 2,625 |
| Total | | <u>\$ 321,259</u> |

Note 5 – Capital Assets

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

| | Balance 7/1/2010 | Increases | Decreases | Balance 6/30/2011 |
|--|----------------------------|-------------------------|-----------------------|-------------------------|
| Governmental Activities: | | | | |
| <u>Non-depreciable capital assets:</u> | | | | |
| Land | \$ 118,180 | | | 118,180 |
| Construction in progress | 0 | 41,489 | | 41,489 |
| Total non-depreciable capital assets | <u>118,180</u> | <u>41,489</u> | <u>0</u> | <u>159,669</u> |
| <u>Depreciable capital assets:</u> | | | | |
| Buildings | 3,851,446 | | | 3,851,446 |
| Building improvements | 211,553 | | | 211,553 |
| Improvements other than buildings | 1,038,941 | | | 1,038,941 |
| Mobile equipment | 748,917 | | (7,000) | 741,917 |
| Furniture and equipment | 119,321 | | | 119,321 |
| Total depreciable capital assets | <u>5,970,178</u> | <u>0</u> | <u>(7,000)</u> | <u>5,963,178</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings | 1,280,391 | 66,733 | | 1,347,124 |
| Building improvements | 89,017 | 6,877 | | 95,894 |
| Improvements other than buildings | 310,962 | 46,813 | | 357,775 |
| Mobile equipment | 542,902 | 26,332 | (6,300) | 562,934 |
| Furniture and equipment | 111,603 | 1,121 | | 112,724 |
| Total accumulated depreciation | <u>2,334,875</u> | <u>147,876</u> | <u>(6,300)</u> | <u>2,476,451</u> |
| Total depreciable capital assets, net | <u>3,635,303</u> | <u>(147,876)</u> | <u>(700)</u> | <u>3,486,727</u> |
| Governmental activities capital assets, net | <u>\$ 3,753,483</u> | <u>(106,387)</u> | <u>(700)</u> | <u>3,646,396</u> |

Depreciation expense was charged to the following governmental functions:

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

| | Amount |
|--|------------|
| Governmental activities: | |
| Instruction | \$ 77,946 |
| Support services | 69,930 |
| Total depreciation expense - Governmental activities | \$ 147,876 |

Construction in progress is composed of:

| | Spent to June 30, 2011 | Remaining Commitment |
|---------------------------------|---------------------------|-------------------------|
| Governmental Activities: | | |
| Band Hall | \$ 41,489 | 215,954 |

Construction projects included in governmental activities are funded with local funds.

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 | \$ 129,000 | | 129,000 | 0 | |
| B. Three mill notes payable | 439,000 | | 49,000 | 390,000 | 51,000 |
| C. Compensated absences payable | 48,726 | | 7,434 | 41,292 | 2,065 |
| Total | \$ 616,726 | \$ 0 | 185,434 | 431,292 | 53,065 |

A. Limited obligation bonds payable

The limited obligation bonds were paid in full during the fiscal year.

B. Three mill notes payable

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|-------------------------|------------------|------------|------------------|------------------|-----------------------|
| Limited tax notes, 2003 | 3.5-4.2% | 4/1/2003 | 4/1/2018 | \$ 750,000 | \$ 390,000 |

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

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

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|------------------|-------------------|
| 2012 | \$ 51,000 | \$ 15,362 | \$ 66,362 |
| 2013 | 54,000 | 13,450 | 67,450 |
| 2014 | 55,000 | 11,425 | 66,425 |
| 2015 | 58,000 | 9,362 | 67,362 |
| 2016 | 60,000 | 7,042 | 67,042 |
| 2017 – 2018 | <u>112,000</u> | <u>6,752</u> | <u>118,752</u> |
| Total | <u>\$ 390,000</u> | <u>\$ 63,393</u> | <u>\$ 453,393</u> |

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

C. 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 – Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has an operating lease for postage machines, dishwashers and ice cream cabinets..

Lease expenditures for the year ended June 30, 2011, amounted to \$1,624. Future lease payments for this lease are as follows:

| Year Ending June 30 | Amount |
|------------------------|-----------------|
| 2012 | \$ 1,503 |
| 2013 | 140 |
| 2014 | 855 |
| Total | <u>\$ 2,498</u> |

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.

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

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 \$425,570, \$449,390 and \$439,017, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

| Year Ending June 30 | Amount |
|------------------------|-------------------|
| 2012 | \$ 11,063 |
| 2013 | 9,567 |
| 2014 | 5,612 |
| 2015 | 4,016 |
| 2016 | 4,016 |
| 2017 – 2021 | 20,080 |
| 2022 – 2026 | 20,080 |
| 2027 – 2031 | 19,080 |
| 2032 – 2036 | 21,741 |
| Total | <u>\$ 115,255</u> |

Note 10 – 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.

Note 11 – 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. 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.

Note 12 – Vocational School Consortium

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

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

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

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

REQUIRED SUPPLEMENTAL INFORMATION

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Union Public School District
 Budgetary Comparison Schedule 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 |
| | Revenues | | | | |
| Local sources | \$ 1,071,243 | 1,046,544 | 1,046,544 | (24,699) | 0 |
| State sources | 3,847,834 | 4,054,963 | 4,054,963 | 207,129 | 0 |
| Federal sources | 27,060 | 39,735 | 39,735 | 12,675 | 0 |
| Total Revenues | <u>4,946,137</u> | <u>5,141,242</u> | <u>5,141,242</u> | <u>195,105</u> | <u>0</u> |
| Expenditures | | | | | |
| Instruction | 2,851,930 | 2,815,125 | 2,815,125 | 36,805 | 0 |
| Support services | 2,037,067 | 1,842,209 | 1,842,209 | 194,858 | 0 |
| Total Expenditures | <u>4,888,997</u> | <u>4,657,334</u> | <u>4,657,334</u> | <u>231,663</u> | <u>0</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>57,140</u> | <u>483,908</u> | <u>483,908</u> | <u>426,768</u> | <u>0</u> |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers in | 395,746 | 403,215 | 55,580 | 7,469 | (347,635) |
| Operating transfers out | (512,086) | (572,931) | (225,296) | (60,845) | 347,635 |
| Other financing uses | 0 | (545) | (545) | (545) | 0 |
| Total Other Financing Sources (Uses) | <u>(116,340)</u> | <u>(170,261)</u> | <u>(170,261)</u> | <u>(53,921)</u> | <u>0</u> |
| Net Change in Fund Balances | <u>(59,200)</u> | <u>313,647</u> | <u>313,647</u> | <u>372,847</u> | <u>0</u> |
| Fund Balances | | | | | |
| July 1, 2010 | | | <u>2,069,839</u> | | |
| June 30, 2011 | | | <u>\$ 2,383,486</u> | | |

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

Union Public School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - 16th Section Interest Fund
 For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|------------------|-----------------|------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| | | | | | |
| Revenues | | | | | |
| Sixteenth section sources | \$ 10,900 | 175,368 | 175,368 | 164,468 | 0 |
| Total Revenues | <u>10,900</u> | <u>175,368</u> | <u>175,368</u> | <u>164,468</u> | <u>0</u> |
| Expenditures | | | | | |
| Sixteenth section | 6,857 | 67,901 | 67,901 | (61,044) | 0 |
| Total Expenditures | <u>6,857</u> | <u>67,901</u> | <u>67,901</u> | <u>(61,044)</u> | <u>0</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>4,043</u> | <u>107,467</u> | <u>107,467</u> | <u>103,424</u> | <u>0</u> |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers out | (4,000) | (26,914) | (26,914) | (22,914) | 0 |
| Total Other Financing Sources (Uses) | <u>(4,000)</u> | <u>(26,914)</u> | <u>(26,914)</u> | <u>(22,914)</u> | <u>0</u> |
| Net Change in Fund Balances | <u>43</u> | <u>80,553</u> | <u>80,553</u> | <u>80,510</u> | <u>0</u> |
| Fund Balances | | | | | |
| July 1, 2010 | | | <u>342,918</u> | | |
| June 30, 2011 | | | <u>\$ 423,471</u> | | |

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

Union Public School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

(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 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

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SUPPLEMENTAL INFORMATION

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Union Public 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 No. | Federal Expenditures |
|---|--|-------------------------|
| <u>U.S. Department of Agriculture</u> | | |
| Passed-through Mississippi Department of Education: | | |
| Child nutrition cluster: | | |
| School breakfast program | 10.553 | \$ 140,195 |
| National school lunch program | 10.555 | 389,798 |
| Summer food service program for children | 10.559 | 13,611 |
| Total child nutrition cluster | | <u>543,604</u> |
| Total U.S. Department of Agriculture | | <u>543,604</u> |
| <u>Federal Communications Commission</u> | | |
| Administered through the Universal Service Administrative Company: | | |
| The school and libraries program of the universal service fund | 32.XXX | 14,059 |
| Total Federal Communications Commission | | <u>14,059</u> |
| <u>U.S. Department of Education</u> | | |
| Passed-through Mississippi Department of Education: | | |
| Safe and drug-free schools and communities - state grants | 84.186 | 956 |
| Twenty first century community learning centers | 84.287 | 124,780 |
| Rural education | 84.358 | 22,014 |
| Improving teacher quality - state grants | 84.367 | 62,643 |
| Total | | <u>210,393</u> |
| Education technology state grants cluster: | | |
| Education technology - state grants | 84.318 | 2,609 |
| ARRA - education technology - state grants, recovery act | 84.386 | 234,146 |
| Total education technology state grants cluster | | <u>236,755</u> |
| State fiscal stabilization cluster: | | |
| ARRA - State fiscal stabilization fund - education state grants, recovery act | 84.394 | 275,061 |
| Total state fiscal stabilization cluster | | <u>275,061</u> |
| Title I cluster: | | |
| Title I - grants to local educational agencies | 84.010 | 321,371 |
| ARRA - Title I - grants to local educational agencies, recovery act | 84.389 | 17,781 |
| Total title I cluster | | <u>339,152</u> |
| Special education cluster: | | |
| Special education - grants to states | 84.027 | 185,775 |
| Special education - preschool grants | 84.173 | 2,296 |
| ARRA - Special education - grants to states, recovery act | 84.391 | 71,169 |
| ARRA - Special education - preschool grants, recovery act | 84.392 | 740 |
| Total special education cluster | | <u>259,980</u> |
| Total passed-through Mississippi Department of Education | | <u>1,321,341</u> |
| Total U.S. Department of Education | | <u>1,321,341</u> |

Union Public 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 No. | Federal Expenditures |
|--|--|-------------------------|
| <u>U.S. Department of Health and Human Services</u> | | |
| Passed-through Mississippi Department of Education: | | |
| Medical assistance program | 93.778 | 10,020 |
| Total U.S. Department of Health and Human Services | | 10,020 |
| Total for All Federal Awards | | \$ 1,889,024 |

NOTES TO SCHEDULE

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

Union Public School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2011

| <u>Expenditures</u> | <u>Total</u> | <u>Instruction and Other Student Instructional Expenditures</u> | <u>General Administrative</u> | <u>School Administration</u> | <u>Other</u> |
|------------------------------|---------------------|---|-----------------------------------|----------------------------------|---------------------|
| Salaries and fringe benefits | \$ 5,078,544 | \$ 3,881,392 | \$ 354,683 | \$ 401,636 | \$ 440,833 |
| Other | \$ 1,933,573 | \$ 781,535 | \$ 89,855 | \$ 14,204 | \$ 1,047,979 |
| Total | <u>\$ 7,012,117</u> | <u>\$ 4,662,927</u> | <u>\$ 444,538</u> | <u>\$ 415,840</u> | <u>\$ 1,488,812</u> |
| Total number of students | <u>891</u> | | | | |
| Cost per student | <u>\$ 7,870</u> | <u>\$ 5,233</u> | <u>\$ 499</u> | <u>\$ 467</u> | <u>\$ 1,671</u> |

Notes to the schedule.

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

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

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

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

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

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OTHER SUPPLEMENTAL INFORMATION

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

UNAUDITED

| | 2011 | 2010* | 2009* | 2008* |
|--|---------------------|------------------|------------------|------------------|
| Revenues | | | | |
| Local sources | \$ 1,046,544 | 1,020,980 | 988,453 | 987,419 |
| State sources | 4,054,963 | 3,935,344 | 4,511,081 | 4,768,615 |
| Federal sources | 39,735 | 35,289 | 78,265 | 43,668 |
| Total Revenues | <u>5,141,242</u> | <u>4,991,613</u> | <u>5,577,799</u> | <u>5,799,702</u> |
| Expenditures | | | | |
| Instruction | 2,815,125 | 2,931,864 | 3,325,169 | 3,311,521 |
| Support services | 1,842,209 | 1,918,283 | 2,133,186 | 2,080,544 |
| Debt service | | | | |
| Principal | 0 | 0 | 0 | 5,320 |
| Interest | 0 | 0 | 0 | 139 |
| Total Expenditures | <u>4,657,334</u> | <u>4,850,147</u> | <u>5,458,355</u> | <u>5,397,524</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>483,908</u> | <u>141,466</u> | <u>119,444</u> | <u>402,178</u> |
| Other Financing Sources (Uses) | | | | |
| Insurances loss recoveries | 0 | 0 | 575 | 10,971 |
| Sale of other property | 0 | 0 | 0 | 650 |
| Operating transfers in | 55,580 | 67,383 | 1,105,898 | 68,002 |
| Other financing sources | 0 | 0 | 225 | 0 |
| Operating transfers out | (225,296) | (180,526) | (186,000) | (179,996) |
| Other financing uses | (545) | (1,124) | 0 | (2,477) |
| Total Other Financing Sources (Uses) | <u>(170,261)</u> | <u>(114,267)</u> | <u>920,698</u> | <u>(102,850)</u> |
| Net Change in Fund Balances | <u>313,647</u> | <u>27,199</u> | <u>1,040,142</u> | <u>299,328</u> |
| Fund Balances | | | | |
| July 1, as originally reported | 2,069,839 | 2,052,124 | 1,011,982 | 712,654 |
| Prior period adjustments | 0 | (9,484) | 0 | 0 |
| July 1, as restated | <u>2,069,839</u> | <u>2,042,640</u> | <u>1,011,982</u> | <u>712,654</u> |
| June 30 | <u>\$ 2,383,486</u> | <u>2,069,839</u> | <u>2,052,124</u> | <u>1,011,982</u> |

* Source - Prior year audit reports.

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

UNAUDITED

| | 2011 | 2010* | 2009* | 2008* |
|--|---------------------|------------------|------------------|------------------|
| Revenues | | | | |
| Local sources | \$ 1,239,726 | 1,216,036 | 1,190,756 | 1,221,464 |
| State sources | 4,259,650 | 4,123,419 | 4,689,444 | 4,978,694 |
| Federal sources | 1,749,643 | 1,678,499 | 1,164,744 | 1,023,401 |
| Sixteenth section sources | 175,883 | 143,805 | 139,796 | 12,208 |
| Total Revenues | 7,424,902 | 7,161,759 | 7,184,740 | 7,235,767 |
| Expenditures | | | | |
| Instruction | 3,980,417 | 4,079,295 | 3,957,667 | 3,796,226 |
| Support services | 2,278,878 | 2,281,311 | 2,467,463 | 2,493,650 |
| Noninstructional services | 428,059 | 423,772 | 415,897 | 391,317 |
| Sixteenth section | 82,069 | 12,478 | 18,052 | 4,464 |
| Facilities acquisition and construction | 41,489 | 0 | 0 | 0 |
| Debt service | | | | |
| Principal | 178,000 | 171,000 | 164,000 | 162,320 |
| Interest | 23,205 | 30,727 | 37,942 | 44,931 |
| Total Expenditures | 7,012,117 | 6,998,583 | 7,061,021 | 6,892,908 |
| Excess (Deficiency) of Revenues Over Expenditures | 412,785 | 163,176 | 123,719 | 342,859 |
| Other Financing Sources (Uses) | | | | |
| Insurances loss recoveries | 0 | 0 | 575 | 10,971 |
| Sale of other property | 0 | 0 | 0 | 650 |
| Operating transfers in | 342,086 | 260,887 | 1,322,789 | 247,999 |
| Other financing sources | 0 | 0 | 299 | 0 |
| Operating transfers out | (342,086) | (260,887) | (1,322,789) | (247,999) |
| Other financing uses | (765) | (1,124) | 0 | (2,477) |
| Total Other Financing Sources (Uses) | (765) | (1,124) | 874 | 9,144 |
| Net Change in Fund Balances | 412,020 | 162,052 | 124,593 | 352,003 |
| Fund Balances | | | | |
| July 1, as originally reported | 2,710,798 | 2,566,515 | 2,438,554 | 2,084,889 |
| Prior period adjustments | 0 | (9,484) | (2,595) | 0 |
| July 1, as restated | 2,710,798 | 2,557,031 | 2,435,959 | 2,084,889 |
| Increase (Decrease) in reserve for inventory | 2,895 | (8,285) | 5,963 | 1,662 |
| June 30 | \$ 3,125,713 | 2,710,798 | 2,566,515 | 2,438,554 |

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

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Ridgeland, Mississippi 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Superintendent and School Board
Union Public School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Public School District as of and for the year ended June 30, 2011, which collectively comprise the district's basic financial statements and have issued my report thereon dated March 20, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the district's school board and management, others within the entity, 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.

Charles L. Shivers, CPA

Ridgeland, MS
March 20, 2012

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CHARLES L. SHIVERS

Certified Public Accountant

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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 Public School District

Compliance

I have audited the compliance of the Union Public School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the School District complied, in all material respects, with the compliance 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 Public School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance 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, I 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 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.

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

This report is intended solely for the information and use of the district's school board and management, others within the entity, 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.

Charles L Shivers, CPA

Ridgeland, MS
March 20, 2012

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

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CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Union Public School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued my report thereon dated March 20, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$4,022 of classroom supply funds carried over from previous years.

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

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

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

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

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

Charles L. Shivers, CPA

Ridgeland, MS
March 20, 2012

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Union Public School District
 Schedule of Findings and Questioned Costs
 June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Title I grants to local educational agencies cluster | |
| | CFDA #: 84.010 | |
| | CFDA #: 84.389 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA #: 84.173 | |
| | CFDA #: 84.391 | |
| | CFDA #: 84.392 | |
| | c. Education technology state grants cluster | |
| | CFDA #: 84.318 | |
| | CFDA #: 84.386 | |
| | d. State fiscal stabilization fund - education state grants, recovery act | |
| | CFDA #: 84.394 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

The results of my tests did not disclose any findings and questioned costs related to the financial statements that are required to be reported under the *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

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

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