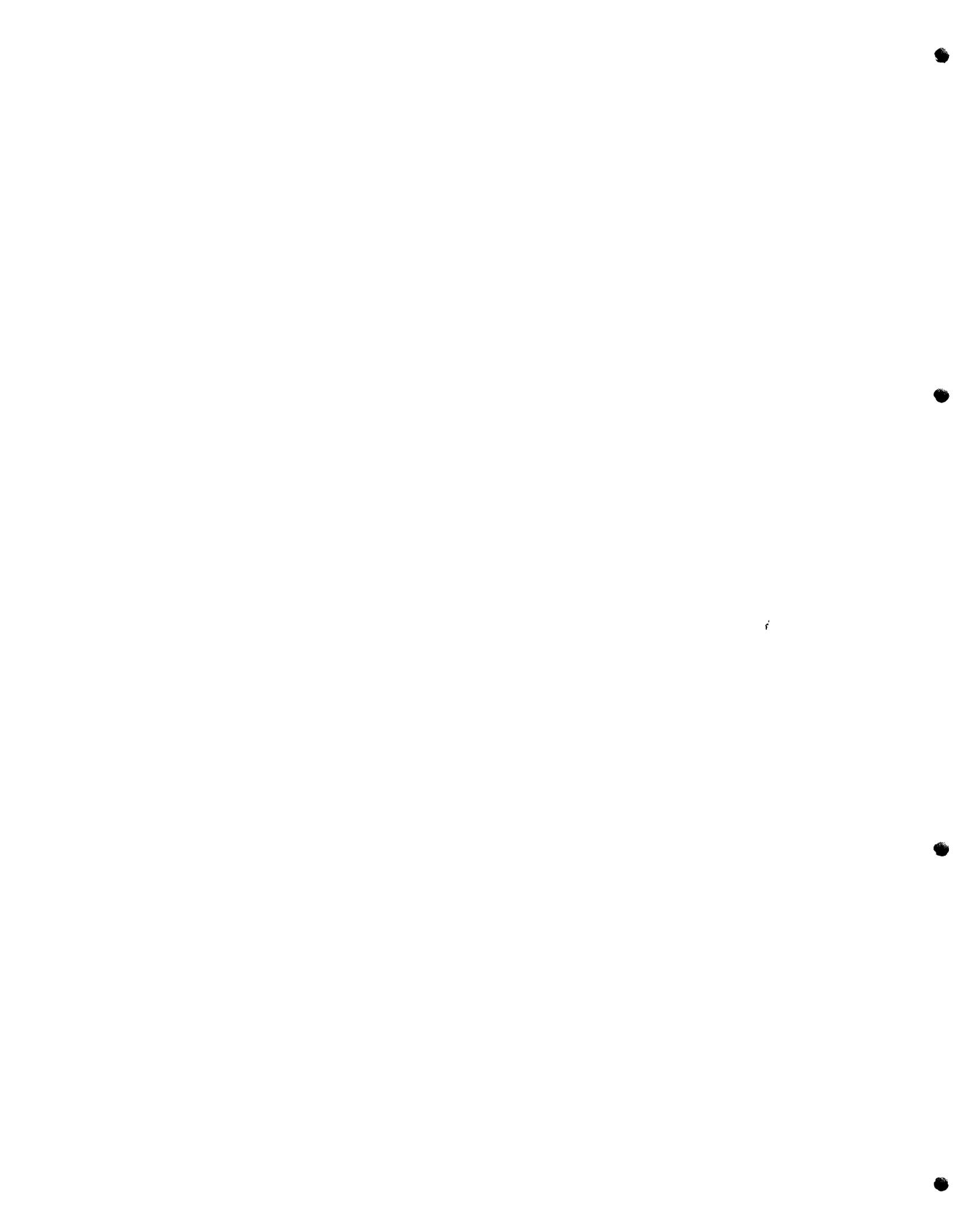




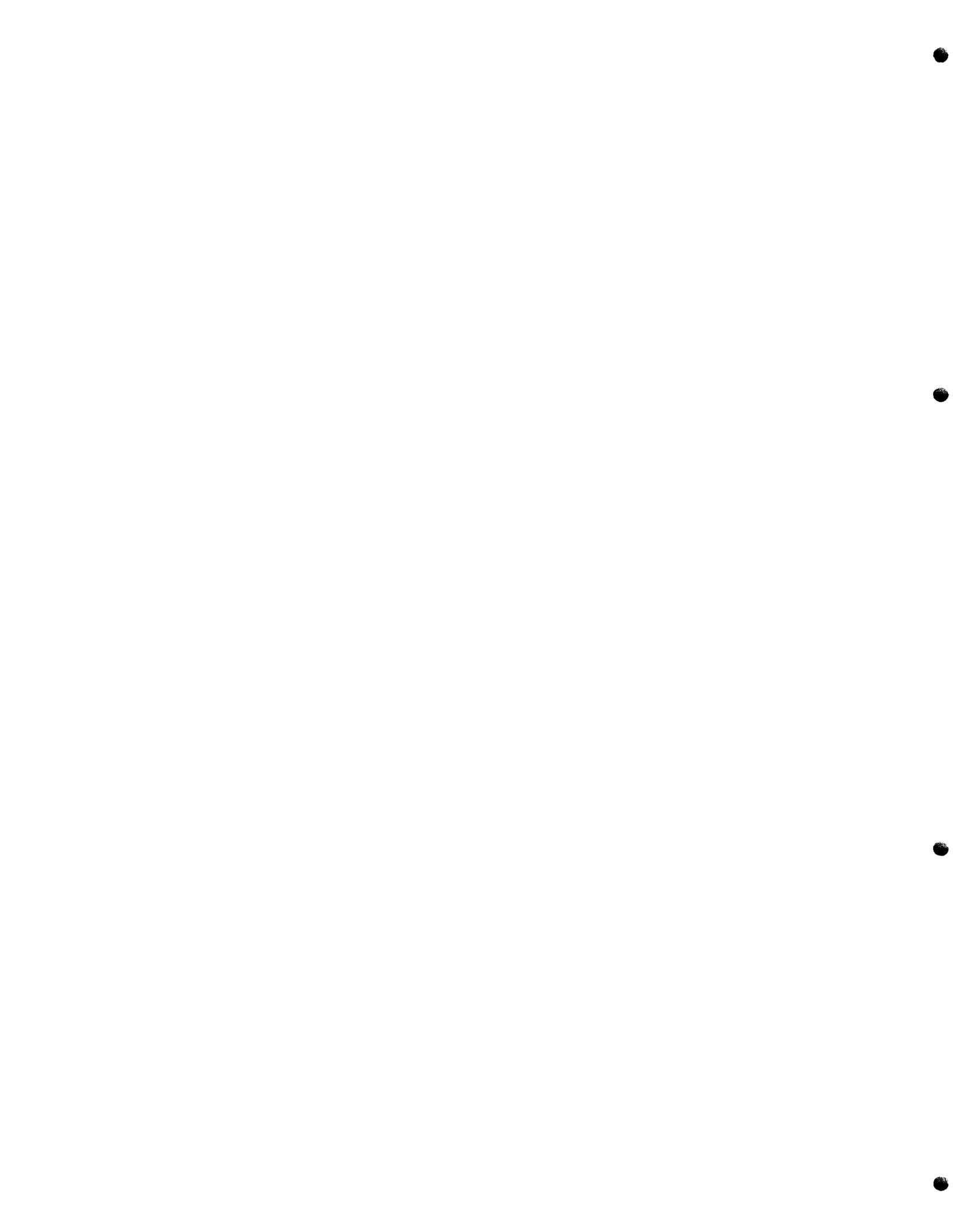
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**UNION COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**



**UNION COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2013**

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	12
Exhibit B - Statement of Activities	13
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	14
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Exhibit D - Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Exhibit D-1 - Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes In Fund Balances to the Statement of Activities	17
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	18
Notes to the Financial Statements	19-37
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	38
Food Service Fund	39
Title I Fund	40
IDEA Part B Fund	41
Notes to the Required Supplementary Information	42
Supplementary Information	
Schedule of Expenditures of Federal Awards	43-44
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	45
Other Information	
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund, Last Four Years	46
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	47
Reports on Internal Controls and Compliance	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48-49
Independent Auditor's Report on Compliance for Each Major Federal Program: Report on Internal Control over Compliance and Report on Schedule of Expenditures Of Federal Awards Required by OMB Circular A-133	50-51
Independent Auditor's Report on Compliance with State Laws and Regulations	52-53
Schedule of Findings and Questioned Costs	54





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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Union County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Union County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11 and 38-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2014, on our consideration of the Union County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County School District's internal control over financial reporting and compliance.

Pyrower, Vanstony & Co. P.A.

April 21, 2014
Booneville, Mississippi

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The following discussion and analysis of Union County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. 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 position for 2013 decreased \$7,533, including a prior period adjustment of \$39,824, which represents a 0.07% increase from fiscal year 2012. Total net position for 2012 increased \$452,712, including a prior period adjustment of \$35,601, which represents a 4.16% increase from 2011
- General revenues amounted to \$16,785,876 and \$16,289,774, or 80.33% and 78.42% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,111,491 or 19.67% of the total revenues for 2013, and \$4,482,224 or 21.58% of the total revenues for 2012.
- The District had \$20,929,658 and \$20,354,887 in expenses for fiscal years 2013 and 2012; only \$4,111,491 for 2013 and \$4,482,224 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$16,785,876 for 2013 and \$16,289,774 for 2012 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$17,321,276 in revenues and \$17,375,609 in expenditures for 2013 and \$16,827,034 in revenues and \$16,527,016 in expenditures for 2012. The General Fund's fund balance decreased by \$220,122, including a prior period adjustment of \$39,824, from 2012 to 2013 and increased by \$70,757, including a prior period adjustment of (\$697), from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$721,318 for 2013 and \$139,593 for 2012. The increase for 2013 was primarily due to the completion of construction in progress.
- Long-term debt increased by \$2,498,683 for 2013 and decreased by \$441,018 for 2012. The increase for 2013 was due primarily to the issuance of a \$3,000,000 Qualified School Construction Bond. The liability for compensated absences decreased by \$14,367 for 2013 and increased by \$15,095 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, 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.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$11,349,667 as of June 30, 2013.

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

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

**Table 1
Condensed Statement of Net Position**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 7,196,075	\$ 6,917,986	4.02%
Restricted assets	667,541	453,235	47.28%
Capital assets, net	11,860,739	11,139,421	6.48%
Total assets	<u>19,724,355</u>	<u>18,510,642</u>	6.56%
Current liabilities	119,815	1,412,318	-91.52%
Long-term debt outstanding	8,254,873	5,756,190	43.41%
Total liabilities	<u>8,374,688</u>	<u>7,168,508</u>	16.83%
Net position:			
Net investment on capital assets	3,795,713	5,587,445	-32.07%
Restricted	3,422,618	1,446,684	136.58%
Unrestricted	4,131,336	4,308,005	-4.10%
Total net position	<u>\$ 11,349,667</u>	<u>\$ 11,342,134</u>	0.070%

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

Increase in capital assets due primarily to construction of \$721,318.

- Increase in Long-term debt due primarily to the issuance of a \$3,000,000 Qualified School Construction Bond.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$20,897,367 and \$20,771,998, respectively. The total cost of all programs and services was \$20,929,658 for 2013 and \$20,354,887 for 2012.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,318,164	\$ 1,326,307	-0.61%
Operating grants and contributions	2,793,327	3,116,256	-10.36%
Capital grants and contributions	-	39,661	-100.00%
General revenues:			
Property taxes	3,613,294	3,278,672	10.21%
Grants and contributions not restricted	13,008,499	12,868,652	1.09%
Investment earnings	49,870	43,396	14.92%
Other	114,213	99,054	15.30%
Total revenues	<u>20,897,367</u>	<u>20,771,998</u>	0.60%
Expenses:			
Instruction	12,775,923	12,380,448	3.19%
Support services	6,114,392	5,965,715	2.49%
Non-instructional	1,925,012	1,895,644	1.55%
Interest and other expense on long-term liabilities	114,331	113,080	1.11%
Total expenses	<u>20,929,658</u>	<u>20,354,887</u>	2.82%
Increase(decrease) in net position	<u>(32,291)</u>	<u>417,111</u>	-107.74%
Net position July 1, as originally reported	11,342,134	10,889,422	4.16%
Prior period adjustment	39,824	35,601	11.86%
Net position July 1, as restated	<u>11,381,958</u>	<u>10,925,023</u>	4.18%
Net position June 30	<u>\$ 11,349,667</u>	<u>\$ 11,342,134</u>	0.07%

Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term liabilities. 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.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage</u>
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Instruction	\$ 12,775,923	\$ 12,380,448	3.19%
Support services	6,114,392	5,965,715	2.49%
Non-instructional	1,925,012	1,895,644	1.55%
Interest on long-term liabilities	114,331	113,080	1.11%
Total expenses	\$ 20,929,658	\$ 20,354,887	2.82%

	<u>Net (Expense) Revenue</u>		<u>Percentage</u>
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Instruction	\$ (10,872,447)	\$ (10,220,021)	6.38%
Support services	(5,513,591)	(5,250,989)	5.00%
Non-instructional	(317,798)	(288,573)	10.13%
Interest on long-term liabilities	(114,331)	(113,080)	1.11%
Total net (expense) revenue	\$ (16,818,167)	\$ (15,872,663)	5.96%

- Net cost of governmental activities (\$16,818,167 for 2013 and \$15,872,663 for 2012) was financed by general revenue, which is primarily made up of property taxes of (\$3,613,294 for 2013 and \$3,278,672 for 2012) and state and federal revenues of (\$13,008,499 for 2013 and \$12,868,652 for 2012).

- Investment earnings amounted to \$49,870 for 2013 and \$43,396 for 2012.

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 \$7,729,498, an increase of \$1,768,021, which includes a prior period adjustment of \$39,824 and an increase in inventory of \$371. \$1,858,780 or 24.05% 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 \$5,870,718 or 75.95% 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.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$220,122, including a prior period adjustment of \$39,824. The fund balance of Other Governmental Funds showed an increase in the amount of \$238,820. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$ 20,912
Title I Fund	no increase or decrease
IDEA - Part B Fund	no increase or decrease
QSCB FY 13 Capital Projects Fund	1,728,411

- The fund balance of the School Food Service Fund included an increase in \$371 in reserve for inventory.

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$19,547,490, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$1,216,611 from 2012. Total accumulated depreciation as of June 30, 2013, was \$7,686,751, and total depreciation expense for the year was \$521,212, resulting in total net capital assets of \$11,860,739.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 386,811	\$ 386,811	0.00%
Construction in progress	-	3,485	-100.00%
Buildings	7,713,751	7,919,813	-2.60%
Building improvements	2,898,027	1,895,062	52.93%
Improvements other than buildings	134,695	111,648	20.64%
Mobile equipment	528,072	601,023	-12.14%
Furniture and equipment	199,383	221,579	-10.02%
Total	<u>\$ 11,860,739</u>	<u>\$ 11,139,421</u>	6.48%

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

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Debt Administration. At June 30, 2013, the District had \$8,254,873 in outstanding long-term debt, of which \$370,026 is due within one year. The liability for compensated absences decreased \$14,367 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 2,015,000	\$ 2,325,000	-13.33%
Obligations under energy efficiency leases	50,026	226,976	-77.96%
Qualified school construction bonds payable	6,000,000	3,000,000	100.00%
Compensated absences payable	189,847	204,214	-7.04%
Total	<u>\$ 8,254,873</u>	<u>\$ 5,756,190</u>	43.41%

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

Current Issues

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

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

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

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 County School District, 250 Carter Avenue, New Albany, MS 38652

UNION COUNTY SCHOOL DISTRICT
Statement of Net Position
6/30/2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,349,320
Investments	2,800,000
Due from other governments	953,122
Accrued interest receivable	3,443
Other receivables, net	725
Inventories	31,195
Deferred debt issuance costs	58,270
Restricted assets	667,541
Capital assets, non-depreciable:	
Land	386,811
Capital assets, net of accumulated depreciation:	
Buildings	7,713,751
Building improvements	2,898,027
Improvements other than buildings	134,695
Mobile equipment	528,072
Furniture and equipment	199,383
Total assets	19,724,355
Liabilities	
Accounts payable and accrued liabilities	75,847
Interest payable on long-term liabilities	43,968
Long-term liabilities, due within one year:	
Capital related liabilities	370,026
Long-term liabilities, due beyond one year:	
Capital related liabilities	7,695,000
Non-capital related liabilities	189,847
Total liabilities	8,374,688
Net Position	
Net investment in capital assets	3,795,713
Restricted for:	
Expendable:	
School based activities	611,854
Debt service	1,029,599
Capital Improvements	1,728,411
Unemployment benefits	52,754
Unrestricted	4,131,336
Total net position	\$ 11,349,667

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

UNION COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

Net (Expense)
 Revenue and
 Changes in
 Net Position

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 12,775,923	\$ 833,499	\$ 1,069,977	\$ -	\$ (10,872,447)
Support services	6,114,392	-	600,801	-	(5,513,591)
Noninstructional services	1,925,012	484,665	1,122,549	-	(317,798)
Interest on long-term debt	114,331	-	-	-	(114,331)
Total governmental activities	\$ 20,929,658	\$ 1,318,164	\$ 2,793,327	\$ -	(16,818,167)

General Revenues:

Taxes:

General purpose levies 3,398,942
 Debt purpose levies 214,352

Unrestricted grants and contributions:

State 12,872,250
 Federal 136,249
 Unrestricted investment earnings 49,870
 Other 114,213

Total general revenues 16,785,876

Change in net position (32,291)

Net position - beginning, as previously reported 11,342,134

Prior period adjustments 39,824

Net position - beginning, restated 11,381,958

Net position - ending \$ 11,349,667

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

UNION COUNTY SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2013

	Major Funds					Other Governmental Funds	Total
	General Fund	School Food Service Fund	Title I Fund	IDEA-Part B Fund	QSCB FY 13 Fund		
Assets							
Cash and cash equivalents	\$ 768,476	\$ 553,958	\$ -	\$ -	\$ 1,728,411	\$ 298,475	\$ 3,349,320
Cash with fiscal agent	-	-	-	-	-	502,141	502,141
Investments	2,750,000	-	-	-	-	215,400	2,965,400
Due from other governments	586,315	-	78,900	53,273	-	234,633	953,121
Accrued interest receivable	-	-	-	-	-	3,443	3,443
Due from other funds	233,477	-	-	-	-	-	233,477
Inventories	-	31,195	-	-	-	-	31,195
Total Assets	\$ 4,338,268	\$ 585,153	\$ 78,900	\$ 53,273	\$ 1,728,411	\$ 1,254,092	\$ 8,038,097
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 75,356	\$ 491	\$ -	\$ -	\$ -	\$ -	\$ 75,847
Due to other funds	-	75,000	78,900	53,273	-	25,579	232,752
Total liabilities	75,356	75,491	78,900	53,273	-	25,579	308,599
Fund Balances:							
Nonspendable:							
Inventory	-	31,195	-	-	-	-	31,195
Restricted for:							
Debt service funds	-	-	-	-	-	1,073,568	1,073,568
Food services	-	478,467	-	-	-	-	478,467
Grant activities	-	-	-	-	-	102,191	102,191
Unemployment benefits	-	-	-	-	-	52,754	52,754
Assigned:							
Activity funds	244,515	-	-	-	-	-	244,515
Building improvements	42,338	-	-	-	1,728,411	-	1,770,749
Long range building	2,078,779	-	-	-	-	-	2,078,779
Other	38,500	-	-	-	-	-	38,500
Unassigned:	1,858,780	-	-	-	-	-	1,858,780
Total fund balances	4,262,912	509,662	-	-	1,728,411	1,228,513	7,729,498
Total liabilities and fund balances	\$ 4,338,268	\$ 585,153	\$ 78,900	\$ 53,273	\$ 1,728,411	\$ 1,254,092	\$ 8,038,097

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

UNION COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Total fund balances for governmental funds **\$ 7,729,498**

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

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

Land	\$ 386,811	
Buildings	11,659,187	
Building improvements	4,012,445	
Improvements other than buildings	241,822	
Mobile equipment	2,532,779	
Furniture and equipment	714,446	
Accumulated depreciation	<u>(7,686,751)</u>	11,860,739

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

Limited obligation bonds	(2,015,000)	
Capital leases payable	(50,026)	
Qualified school construction bonds	(6,000,000)	
Compensated absences	(189,847)	
Unamortized charges	58,270	
Accrued interest payable	<u>(43,968)</u>	(8,240,571)

3 Rounding 1
 Net position of governmental activities \$ 11,349,667

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

UNION COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2013

	Major Funds					Other Governmental Funds	Total
	General Fund	School Food Service Fund	Title I Fund	IDEA-Part B Fund	QSCB FY 13 Fund		
Revenue:							
Local sources	\$ 4,506,097	\$ 408,292	\$ -	\$ -	\$ 9,224	\$ 224,186	\$ 5,147,799
State sources	12,678,930	14,475	-	-	-	601,706	13,295,111
Federal sources	136,249	1,192,343	487,408	441,909	-	196,549	2,454,458
Total Revenues	17,321,276	1,615,110	487,408	441,909	9,224	1,022,441	20,897,368
Expenditures:							
Instruction	11,458,400	-	372,257	256,764	-	541,186	12,628,607
Support services	5,182,824	106,353	115,151	185,145	117,350	128,992	5,835,815
Noninstructional services	500,944	1,413,216	-	-	-	3,301	1,917,461
Facilities acquisition and construction	49,600	-	-	-	1,163,463	-	1,213,063
Debt service:							
Principal	176,950	-	-	-	-	310,000	486,950
Interest	6,891	-	-	-	-	93,250	100,141
Other	-	-	-	-	-	1,981	1,981
Total Expenditures	17,375,609	1,519,569	487,408	441,909	1,280,813	1,078,710	22,184,018
Excess (Deficiency) of Revenues over (under) Expenditures	(54,333)	95,541	-	-	(1,271,589)	(56,269)	(1,286,650)
Other Financing Sources (Uses):							
Proceeds of Loans	-	-	-	-	3,000,000	-	3,000,000
Insurance recovery	14,476	-	-	-	-	-	14,476
Operating transfers in	299,871	-	-	-	-	519,960	819,831
Operating transfers out	(519,960)	(75,000)	-	-	-	(224,871)	(819,831)
Total Other Financing Sources (Uses)	(205,613)	(75,000)	-	-	3,000,000	295,089	3,014,476
Net change in fund balances	(259,946)	20,541	-	-	1,728,411	238,820	1,727,826
Fund Balances:							
July 1, 2012, as previously reported	4,483,034	488,750	-	-	-	989,693	5,961,477
Prior period adjustments	39,824	-	-	-	-	-	39,824
July 1, 2012, as restated	4,522,858	488,750	-	-	-	989,693	6,001,301
Increase(decrease)in reserve for inventory	-	371	-	-	-	-	371
June 30, 2013	\$ 4,262,912	\$ 509,662	\$ -	\$ -	\$ 1,728,411	\$ 1,228,513	\$ 7,729,498

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

UNION COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 1,727,826

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

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

Capital outlay	\$ 1,262,895	
Depreciation expense	<u>(521,212)</u>	741,683

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (20,365)

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

Bonds and notes issued	(3,000,000)	
Payments of debt principal	486,950	
Accrued interest payable	<u>(12,209)</u>	(2,525,259)

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

Change in compensated absences	14,368	
Change in inventory reserve	371	
Amortization of deferred charges, premiums and discounts	<u>29,085</u>	43,824

Change in net position of governmental activities \$ (32,291)

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

UNION COUNTY SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2013

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 801,271
Total Assets	<u>\$ 801,271</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 730,690
Due to other funds	725
Due to student clubs	<u>69,856</u>
Total Liabilities	<u>\$ 801,271</u>

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

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. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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.

School Food Service Fund – This fund is used to account for revenues and expenditures used to account for the operation of providing meals to students.

Title I Fund – This fund accounts for the revenues and expenditures of the Title I program.

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

QSCB FY 13 Capital Projects Fund – This fund is used to account for the revenues and expenditures used to account for repairs, alterations, renovations and additions to existing buildings and erection of new buildings used for school purposes.

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

The District’s fiduciary funds include the following:

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

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

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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.

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

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

FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 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.

D. Encumbrances

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

E. Assets, liabilities, and net position/fund balances

(1) Cash, Cash equivalents and Investments

Cash and Cash Equivalents

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Assets, liabilities, and net position/fund balances (Continued)

Investments

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

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

Investments for the district are reported at fair market value.

(2) Receivables and payables

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

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

(3) Due from Other Governments

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

(4) Inventories and Prepaid Items

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

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

(5) Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

(6) Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

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

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

(7) Compensated Absences

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

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 County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

(9) Fund balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the Board. Currently, there are no committed fund balances for this school district.

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

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.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

(9). Fund balances (Continued)

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

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,149,320 (which includes \$2,800,000 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$801,271, respectively.

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

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

Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$8,233,631 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$502,141.

Investments

As of June 30, 2013, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificates of deposit	None	1- 1.5	\$ 2,800,000
Hancock Horizon Treasury Securities Money Market Mutual Funds	AAA	Less than 1	165,400
Total			<u>\$ 2,965,400</u>

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

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

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

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

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	Food Service	\$ 75,000
	Title I	78,900
	IDEA Part B	53,273
	Other governmental funds	<u>25,579</u>
		232,752
	Fiduciary funds	725
Total Funds		<u><u>\$ 233,477</u></u>

The purpose of interfund payables from Title I Fund, IDEA Part B Fund and the other governmental Funds, is for loans until reimbursements are received. Fiduciary funds is for payment to District Maintenance for interest and Food Service is for indirect cost.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 519,960
Food Service	General	75,000
Other governmental funds	General	<u>224,871</u>
Total funds		<u><u>\$ 819,831</u></u>

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

Note 4 – Restricted Assets

The restricted assets represent the investment balance, totaling \$165,400, of the Limited Obligation Bonds Payable (State Aid Capital Improvements Refunding Series, 2008) and cash with fiscal agent of \$502,141 of the QSCB Sinking Fund.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 5 - Capital Assets

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

	<u>Balance 7/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Balance 6/30/2013</u>
Governmental Activities:					
<u>Non-Depreciable capital assets:</u>					
Land	\$ 386,811		-	-	386,811
Construction in progress	3,485	1,213,063	-	(1,216,548)	-
Total non-depreciable assets	<u>390,296</u>	<u>1,213,063</u>	<u>-</u>	<u>(1,216,548)</u>	<u>386,811</u>
<u>Depreciable capital assets:</u>					
Buildings	11,659,187	-	-	-	11,659,187
Building improvements	2,848,982	-	-	1,163,463	4,012,445
Improvements other than buildings	235,021	-	46,284	53,085	241,822
Mobile equipment	2,532,779	-	-	-	2,532,779
Furniture and equipment	664,614	49,832	-	-	714,446
Total depreciable capital assets	<u>17,940,583</u>	<u>49,832</u>	<u>46,284</u>	<u>1,216,548</u>	<u>19,160,679</u>
<u>Less accumulated depreciation:</u>					
Buildings	3,739,374	206,062	-	-	3,945,436
Building improvements	953,920	160,498	-	-	1,114,418
Improvements other than buildings	123,373	9,673	25,919	-	107,127
Mobile equipment	1,931,756	72,951	-	-	2,004,707
Furniture and equipment	443,035	72,028	-	-	515,063
Total accumulated depreciation	<u>7,191,458</u>	<u>521,212</u>	<u>25,919</u>	<u>-</u>	<u>7,686,751</u>
Total depreciable capital assets, net	<u>10,749,125</u>	<u>(471,380)</u>	<u>20,365</u>	<u>1,216,548</u>	<u>11,473,928</u>
Governmental activities capital assets, net	<u>\$ 11,139,421</u>	<u>741,683</u>	<u>20,365</u>	<u>-</u>	<u>11,860,739</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 160,591
Support services	305,940
Non-instructional	54,681
Total depreciation expense	<u>\$ 521,212</u>

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 6 - Long-term liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 7/1/2013	Amounts due within one year
A Limited obligation bonds payable	\$ 2,325,000	-	310,000	2,015,000	320,000
B Obligations under energy efficiency lease	226,976	-	176,950	50,026	50,026
C Qualified school construction bonds	3,000,000	3,000,000	-	6,000,000	-
D Compensated absences payable	204,214		14,367	189,847	-
	<u>\$ 5,756,190</u>	<u>3,000,000</u>	<u>501,317</u>	<u>8,254,873</u>	<u>370,026</u>

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding, Series 2008	2.2-3.60%	06/30/08	02/01/18	\$ 3,075,000	\$ 2,015,000
				<u>\$ 3,075,000</u>	<u>\$ 2,015,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 320,000	62,313	382,313
2015	325,000	51,831	376,831
2016	340,000	41,025	381,025
2017	350,000	29,638	379,638
2018	680,000	17,478	697,478
	<u>\$ 2,015,000</u>	<u>\$ 202,285</u>	<u>\$ 2,217,285</u>

This debt will be retired from the Bond Retirement fund.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 6 - Long-term liabilities (Continued)

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

B. Obligations under energy efficiency lease

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Obligations under energy efficiency lease	4.00%	3/4/05	3/4/14	\$ 1,513,170	\$ 50,026
Total				<u>\$ 1,513,170</u>	<u>\$ 50,026</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	50,026	760	50,786
	<u>\$ 50,026</u>	<u>\$ 760</u>	<u>\$ 50,786</u>

This debt will be retired from the District Maintenance fund.

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

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

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

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

C. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 6 - Long-term liabilities (Continued)

C. Qualified school construction bonds payable (Continued)

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. Qualified school construction bonds	0.69%	12/29/09	9/15/24	\$ 3,000,000	3,000,000
2. Qualified school construction bonds	0.00%	10/1/12	10/1/27	3,000,000	3,000,000
Total				<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>

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

1. Qualified school construction bonds issue of 12/29/2009

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	20,700	20,700
2015	-	20,700	20,700
2016	-	20,700	20,700
2017	-	20,700	20,700
2018	-	20,700	20,700
2019-2023	-	103,500	103,500
2024-2025	3,000,000	41,400	3,041,400
Total	<u>\$ 3,000,000</u>	<u>248,400</u>	<u>3,248,400</u>

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

2. Qualified school construction bonds issue of 10/01/2012

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019-2023	-	-	-
2024-2028	3,000,000	-	3,000,000
Total	<u>\$ 3,000,000</u>	<u>-</u>	<u>3,000,000</u>

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 6 - Long-term liabilities (Continued)

C. Qualified school construction bonds payable (Continued)

Total Qualified school construction bonds payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ -	20,700	20,700
2015	-	20,700	20,700
2016	-	20,700	20,700
2017	-	20,700	20,700
2018	-	20,700	20,700
2019-2023	-	103,500	103,500
2024-2028	6,000,000	41,400	6,041,400
Total	\$ 6,000,000	248,400	6,248,400

D. Compensated absences payable

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

Note 7 – Prior Year Defeasance of Debt

In prior years, the Union County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2013, \$1,050,000 of bonds outstanding are defeased.

Note 8 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% 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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 8 - Defined Benefit Pension Plan (Continued)

The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012, and 2011 were \$1,699,560, \$1,455,501, and \$1,396,536, respectively, which equaled the required contributions for each year.

Note 9 – Prior period adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statements of Activities

<u>Explanation</u>	<u>Amount</u>
Refund of prior year expense	\$ 39,824
Total	<u>\$ 39,824</u>

Exhibit D - Statement of Revenues Expenditures and Changes in Fund Balance

<u>Explanation</u>	<u>Amount</u>
District Maintenance Fund	
Refund of prior year expense	\$ 39,824
Total	<u>\$ 39,824</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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 11 - Risk Management (Continued)

For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$502,141. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedules report the annual deposits to be made to the sinking funds by the school district.

1. Qualified school construction bonds issue of 12/29/2009

Year Ending	Amount
<u>June 30</u>	
2014	\$ 208,000
2015	208,000
2016	208,000
2017	208,000
2018	209,000
2019-2023	1,045,000
2024-2025	418,000
Total	<u>\$ 2,504,000</u>

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 12 – Qualified School Construction Bonds (Continued)

2. Qualified school construction bonds issue of 10/01/2012

Year Ending		Amount
June 30		
2014	\$	200,000
2015		200,000
2016		200,000
2017		200,000
2018		200,000
2019-2023		1,000,000
2024-2028		1,000,000
Total	\$	<u>3,000,000</u>

Note 13 – Alternative School Consortium

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

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

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

Note 14 - Vocational School Consortium

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

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

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2013**

Note 15 – Insurance loss recoveries

The Union County School District received \$14,476 in insurance loss recoveries related to damages to the Myrtle gym. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction of expenditures and allocated among the expenditure functions based on use as follows:

Insurance loss recoveries	Percentage	Expenditure function
\$ 14,476	100.00%	Support services

Note 16 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition of disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Union County School District evaluated the activity of the district through April 21, 2014 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

Union County School District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue:					
Local sources	\$ 4,360,647	4,506,096	4,506,097	145,449	1
State sources	12,647,562	12,678,930	12,678,930	31,368	-
Federal sources	143,800	136,249	136,249	(7,551)	-
Total revenues	<u>17,152,009</u>	<u>17,321,275</u>	<u>17,321,276</u>	<u>169,266</u>	<u>1</u>
Expenditures:					
Instruction	11,297,592	11,458,400	11,458,400	(160,808)	-
Support services	5,148,152	5,232,424	5,182,824	(84,272)	49,600
Noninstructional services	472,493	500,944	500,944	(28,451)	-
Facilities acquisition and construction	-	-	49,600	-	(49,600)
Debt Service:					
Principal	183,841	199,161	176,950	(15,320)	22,211
Interest	-	-	6,891	-	(6,891)
Total expenditures	<u>17,102,078</u>	<u>17,390,929</u>	<u>17,375,609</u>	<u>(288,851)</u>	<u>15,320</u>
Excess (deficiency) of revenues over expenditures	<u>49,931</u>	<u>(69,654)</u>	<u>(54,333)</u>	<u>(119,585)</u>	<u>15,321</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	10,000	14,476	14,476	4,476	-
Operating transfers in	58,298	77,261	299,871	18,963	222,610
Operating transfers out	(2,245,101)	(2,273,206)	(519,960)	(28,105)	1,753,246
Total other financing sources (uses)	<u>(2,176,803)</u>	<u>(2,181,469)</u>	<u>(205,613)</u>	<u>(4,666)</u>	<u>1,975,856</u>
Net change in fund balance	<u>(2,126,872)</u>	<u>(2,251,123)</u>	<u>(259,946)</u>	<u>(124,251)</u>	<u>1,991,177</u>
Fund Balance:					
July 1, 2012, as previously reported	4,483,034	4,483,034	4,483,034	-	-
Prior period adjustments	-	-	39,824	-	39,824
July 1, 2012, as restated	<u>4,483,034</u>	<u>4,483,034</u>	<u>4,522,858</u>	<u>-</u>	<u>39,824</u>
June 30, 2013	<u>\$ 2,356,162</u>	<u>2,231,911</u>	<u>4,262,912</u>	<u>(124,251)</u>	<u>2,031,001</u>

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

**Union County School District
Required Supplementary Information
Budgetary Comparison Schedule
Food Service Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual GAAP Basis	Variances	
	Original	Final		Positive (Negative)	
				Original to Final	Final to Actual
Revenue:					
Local sources	\$ 430,400	408,292	408,292	(22,108)	-
State sources	15,000	14,476	14,475	(524)	(1)
Federal sources	1,070,000	1,192,343	1,192,343	122,343	-
Total revenues	<u>1,515,400</u>	<u>1,615,111</u>	<u>1,615,110</u>	<u>99,711</u>	<u>(1)</u>
Expenditures:					
Instruction	-	-	-	-	-
Support services	105,491	106,353	106,353	(862)	-
Noninstructional services	1,355,208	1,413,216	1,413,216	(58,008)	-
Total expenditures	<u>1,460,699</u>	<u>1,519,569</u>	<u>1,519,569</u>	<u>(58,870)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>54,701</u>	<u>95,542</u>	<u>95,541</u>	<u>40,841</u>	<u>(1)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(50,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>(25,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance	<u>4,701</u>	<u>20,542</u>	<u>20,541</u>	<u>15,841</u>	<u>(1)</u>
Fund Balance:					
July 1, 2012	507,973	507,973	488,750	-	(19,223)
Increase(Decrease) in Reserve for Inventory	-	-	371	-	371
June 30, 2013	<u>\$ 512,674</u>	<u>\$ 528,515</u>	<u>\$ 509,662</u>	<u>\$ 15,841</u>	<u>\$ (18,853)</u>

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

**Union County School District
Required Supplementary Information
Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue:					
Local sources	\$ -	-	-	-	-
State sources	-	-	-	-	-
Federal sources	497,730	487,408	487,408	(10,322)	-
Total revenues	497,730	487,408	487,408	(10,322)	-
Expenditures:					
Instruction	367,494	372,257	372,257	(4,763)	-
Support services	126,113	115,151	115,151	10,962	-
Noninstructional services	4,123	-	-	4,123	-
Total expenditures	497,730	487,408	487,408	10,322	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Net change in fund balance				-	
Fund Balance:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	-			

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

**Union County School District
Required Supplementary Information
Budgetary Comparison Schedule
IDEA Part B Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue:					
Federal sources	\$ 527,149	441,909	441,909	(85,240)	-
Total revenues	527,149	441,909	441,909	(85,240)	-
Expenditures:					
Instruction	293,883	256,764	256,764	37,119	-
Support services	232,266	185,145	185,145	47,121	-
Noninstructional services	1,000	-	-	1,000	-
Total expenditures	527,149	441,909	441,909	85,240	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Net change in fund balance				-	
Fund Balance:					
July 1, 2012, as previously reported	-	-	-	-	-
Prior period adjustments				-	-
July 1, 2012, as restated	-	-	-	-	-
June 30, 2013	\$ -	-	-	-	-

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

Union County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

1) Basis of Presentation

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

2) Budget Amendments and Revisions

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

UNION COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 345,905
National school lunch program	10.555	831,982
Total Child Nutrition Cluster		<u>1,177,887</u>
Total Passed-through MDE		<u>1,177,887</u>
Total U.S. Department of Agriculture		<u>1,177,887</u>
Federal Communications Commission		
Passed-through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	41,354
Total Federal Communications Commission		<u>41,354</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Rural education	84.358	41,762
Improving teacher quality - state grants	84.367	123,787
Total		<u>165,549</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	495,154
Total Title I cluster		<u>495,154</u>
Special Education Cluster		
Special education - grants to states	84.027	441,909
Special education - preschool grants	84.173	23,254
Total Special Education Cluster		<u>465,163</u>
Total Passed-through MDE		<u>1,125,866</u>
Total U.S. Department of Education		<u>1,125,866</u>
U. S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	10,508
Total passed-through Mississippi Department of Education		<u>10,508</u>
Total U. S. Department of Health and Human Services		<u>10,508</u>
Total for All Federal Awards		<u>\$ 2,355,615</u>

UNION COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

NOTES TO SCHEDULE

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

Union County School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds
June 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 16,224,326	12,672,297	690,752	1,132,710	1,728,567
Other	5,959,692	1,222,698	76,305	166,262	4,494,427
Total	\$ 22,184,018	13,894,995	767,057	1,298,972	6,222,994
Total Number of Students *	2,764				
Cost per Student	\$ 8,026	5,027	278	470	2,251

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

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

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

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

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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 4,506,097	\$ 4,141,941	\$ 3,836,889	\$ 3,793,317
State sources	12,678,930	12,462,758	11,968,757	11,660,000
Federal sources	136,249	222,335	178,267	143,498
Total revenues	<u>17,321,276</u>	<u>16,827,034</u>	<u>15,983,913</u>	<u>15,596,815</u>
Expenditures:				
Instruction	11,458,400	10,760,999	9,332,520	9,841,464
Support services	5,182,824	5,016,135	4,760,437	4,994,341
Noninstructional services	500,944	452,397	493,537	501,633
Facilities acquisition	49,600	128,963	-	30,108
Debt Service:				
Principal	176,950	156,113	177,278	162,145
Interest	6,891	12,409	21,883	26,783
Total expenditures	<u>17,375,609</u>	<u>16,527,016</u>	<u>14,785,655</u>	<u>15,556,474</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(54,333)</u>	<u>300,018</u>	<u>1,198,258</u>	<u>40,341</u>
Other Financing Sources (Uses):				
Sale of other property	-	-	11,177	-
Insurance loss recovery	14,476	8,080	36,681	13,971
Operating transfers in	299,871	77,738	78,053	236,729
Operating transfers out	(519,960)	(314,382)	(354,196)	(406,018)
Total other financing sources	<u>(205,613)</u>	<u>(228,564)</u>	<u>(228,285)</u>	<u>(155,318)</u>
Net change in fund balances	<u>(259,946)</u>	<u>71,454</u>	<u>969,973</u>	<u>(114,977)</u>
Fund balances:				
Beginning of period, as originally reported	4,483,034	4,412,277	3,442,304	3,557,281
Prior period adjustments	39,824	(697)	-	-
Beginning of period, as restated	<u>4,522,858</u>	<u>4,411,580</u>	<u>3,442,304</u>	<u>3,557,281</u>
End of period	<u>\$ 4,262,912</u>	<u>\$ 4,483,034</u>	<u>\$ 4,412,277</u>	<u>\$ 3,442,304</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 5,147,799	\$ 4,773,551	\$ 4,436,786	\$ 4,445,853
State sources	13,295,111	13,064,243	12,623,208	12,243,641
Federal sources	2,454,458	2,934,203	4,087,152	3,692,594
Total revenues	<u>20,897,368</u>	<u>20,771,997</u>	<u>21,147,146</u>	<u>20,382,088</u>
Expenditures:				
Instruction	12,628,607	12,239,245	12,158,539	12,359,542
Support services	5,835,815	5,700,440	5,746,070	6,133,391
Noninstructional services	1,917,461	1,879,337	1,906,604	1,820,457
Facilities acquisition and construction	1,213,063	497,304	1,873,667	346,510
Debt Service:				
Principal	486,950	456,113	467,278	543,145
Interest	100,141	116,072	128,678	134,433
Other	1,981	1,000	1,500	-
Total expenditures	<u>22,184,018</u>	<u>20,889,511</u>	<u>22,282,336</u>	<u>21,337,478</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(1,286,650)</u>	<u>(117,514)</u>	<u>(1,135,190)</u>	<u>(955,390)</u>
Other Financing Sources (Uses):				
Proceeds of loans	3,000,000	-	-	3,000,000
Sale of other property	-	-	11,177	-
Insurance loss recovery	14,476	8,080	36,681	13,971
Operating transfers in	819,831	392,120	432,249	642,747
Operating transfers out	(819,831)	(392,120)	(432,249)	(642,747)
Other financing uses	-	-	(1,035)	(1,035)
Total other financing sources	<u>3,014,476</u>	<u>8,080</u>	<u>46,823</u>	<u>3,012,936</u>
Net change in fund balances	<u>1,727,826</u>	<u>(109,434)</u>	<u>(1,088,367)</u>	<u>2,057,546</u>
Fund balances:				
Beginning of period, as originally reported	5,961,477	6,088,502	7,148,167	5,096,204
Prior period adjustments	39,824	(697)	-	-
Beginning of period, as restated	<u>6,001,301</u>	<u>6,087,805</u>	<u>7,148,167</u>	<u>5,096,204</u>
Increase(decrease) in reserve for inventory	<u>371</u>	<u>(16,894)</u>	<u>28,702</u>	<u>(5,583)</u>
End of period	<u>\$ 7,729,498</u>	<u>\$ 5,961,477</u>	<u>\$ 6,088,502</u>	<u>\$ 7,148,167</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS



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

Superintendent and School Board
Union County School District

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Union County School District's basic financial statements, and have issued our report thereon dated April 21, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brewer, Venetian & Co. P.A

April 21, 2014
Booneville, Mississippi



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INDEPENDENT AUDITOR’S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE;REQUIRED BY
OMB CIRCULAR A-133

Superintendent and School Board
Union County School District

Report on Compliance for Each Major Federal Program

We have audited the Union County School District’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Union County School District’s major federal programs for the year ended June 30, 2013. The Union County School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Union County School District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district’s compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Union County School District, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the Union County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Union County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Union County School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pratt, Venetony & Co. P.A.

April 21, 2014
Booneville, Mississippi



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

Superintendent and School Board
Union County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2013, which collectively comprise Union County School District’s basic financial statements and have issued our report thereon dated April 21,2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

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

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

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

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

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

Pyrawner, Venstary & Co. P.A.

April 21, 2014
Booneville, Mississippi

**Union County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

CFDA Numbers

Name of Federal Program or Cluster

a.

CFDA# 10.553, 10.555

Child Nutrition Cluster

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

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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