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UNION PUBLIC SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2013

Kimberly T. May, CPA, PLLC  
Madison, MS

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Union Public School District

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Public School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Union Public 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***

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

An audit 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Public School District, as of June 30, 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 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, 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, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 basic 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 my 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, as required by the Mississippi Department of Education, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated April 9, 2014, on my consideration of the Union Public School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Public School District's internal control over financial reporting and compliance.

*Kimberly J. May, CPA, PLLC*

Madison, MS  
April 9, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Union Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 increased \$329,728, which represents a 4.7% increase from fiscal year 2012. Total net position for 2012 increased \$641,679, which represents a 10.1% increase from fiscal year 2011.
- General revenues amounted to \$5,742,156 and \$5,834,217, or 78.2% and 75.3% 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 \$1,598,173, or 21.8% of total revenues for 2013, and \$1,909,689, or 24.7% of total revenues for 2012.
- The District had \$7,010,601 and \$7,102,227 in expenses for fiscal years 2013 and 2012; only \$1,598,173 for 2013 and \$1,909,689 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,742,156 for 2013 and \$5,834,217 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,824,744 in revenues and \$5,431,090 in expenditures for 2013, and \$5,928,957 in revenues and \$5,277,053 in expenditures in 2012. The General Fund's fund balance increased by \$567,277 from 2012 to 2013, and increased by \$572,219 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$130,025 for 2013 and increased by \$244,784 for 2012. The decrease for 2013 was due to the disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$54,000 for 2013 and decreased by \$51,000 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$668 for 2013 and increased by \$12,926 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, supplementary 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.

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 its financial position 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 periods.

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

## Fund Financial Statements

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

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

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

## 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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net position

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**

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 3,878,777	\$ 3,552,500	9.18 %
Restricted assets	363,118	359,971	0.87 %
Capital assets, net	3,761,155	3,891,180	-3.34 %
<b>Total assets</b>	<b>8,003,050</b>	<b>7,803,651</b>	<b>2.56 %</b>
Current liabilities	354,054	431,051	-17.86 %
Long-term debt outstanding	339,886	393,218	-13.56 %
<b>Total liabilities</b>	<b>693,940</b>	<b>824,269</b>	<b>-15.81 %</b>
<b>Net position:</b>			
Net investment in capital assets	3,476,155	3,552,180	-2.14 %
Restricted	357,737	366,955	-2.51 %
Unrestricted	3,475,218	3,060,247	13.56 %
<b>Total net position</b>	<b>\$ 7,309,110</b>	<b>\$ 6,979,382</b>	<b>4.72 %</b>

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

- Decrease in net capital assets in the amount of \$130,025.
- The principal retirement of \$54,000 of long-term debt.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$7,340,329 and \$7,743,906, respectively. The total cost of all programs and services was \$7,010,601 for 2013 and \$7,102,227 for 2012.

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>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 314,062	\$ 329,456	(4.67) %
Operating grants and contributions	1,284,111	1,580,233	(18.74) %
General revenues:			
Property taxes	941,674	881,535	6.82 %
Grants and contributions not restricted	4,748,745	4,604,775	3.13 %
Investment earnings	17,714	12,323	43.75 %
Sixteenth section sources	32,777	333,584	(90.17) %
Other	1,246	2,000	(37.70) %
<b>Total revenues</b>	<b>7,340,329</b>	<b>7,743,906</b>	<b>(5.21) %</b>
<b>Expenses:</b>			
Instruction	4,015,791	4,082,398	(1.63) %
Support services	2,511,041	2,524,806	(0.55) %
Non-instructional	455,358	444,136	2.53 %
Sixteenth section	14,962	35,912	(58.34) %
Interest on long-term liabilities	13,449	14,975	(10.19) %
<b>Total expenses</b>	<b>7,010,601</b>	<b>7,102,227</b>	<b>(1.29) %</b>
<b>Increase (Decrease) in net position</b>	<b>329,728</b>	<b>641,679</b>	<b>(48.61) %</b>
<b>Net Position, July 1</b>	<b>6,979,382</b>	<b>6,337,703</b>	10.12 %
<b>Net Position, June 30</b>	<b>\$ 7,309,110</b>	<b>\$ 6,979,382</b>	4.72 %

**Governmental activities**

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, 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.

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 4,015,791	\$ 4,082,398	(1.63) %
Support services	2,511,041	2,524,806	(0.55) %
Non-instructional	455,358	444,136	2.53 %
Sixteenth section	14,962	35,912	(58.34) %
Interest on long-term liabilities	13,449	14,975	(10.19) %
<b>Total expenses</b>	<b>\$ 7,010,601</b>	<b>\$ 7,102,227</b>	<b>(1.29) %</b>
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (3,307,114)	\$ (3,096,937)	6.79 %
Support services	(2,204,544)	(2,167,531)	1.71 %
Non-instructional	127,641	122,817	3.93 %
Sixteenth section	(14,962)	(35,912)	(58.34) %
Interest on long-term liabilities	(13,449)	(14,975)	(10.19) %
<b>Total net (expense) revenue</b>	<b>\$ (5,412,428)</b>	<b>\$ (5,192,538)</b>	<b>4.23 %</b>

- Net cost of governmental activities (\$5,412,428 for 2013 and \$5,192,538 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$941,674 for 2013 and \$881,535 for 2012) and state and federal revenues (\$4,748,745 for 2013 and \$4,604,775 for 2012). In addition, there was \$32,777 and \$333,584 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$17,714 for 2013 and \$12,323 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 \$3,890,568, a increase of \$406,421, which includes an increase in inventory of \$5,701. \$2,426,690 or 62.4% 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 \$1,463,878 or 37.6% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$567,277. The fund balance of Other Governmental Funds showed a decrease in the amount of \$160,856, which includes an increase in reserve for inventory of \$5,701. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease

**BUDGETARY HIGHLIGHTS**

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and the major special revenue fund 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 \$6,518,838, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$8,837 from 2012. Total accumulated depreciation as of June 30, 2013, was \$2,757,683, and total depreciation expense for the year was \$150,755, resulting in total net capital assets of \$3,761,155.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 118,180	\$ 118,180	0.00 %
Construction in Progress	0	351,233	(100.00) %
Buildings	2,740,865	2,437,589	12.44 %
Building improvements	87,937	108,782	(19.16) %
Improvements other than buildings	615,237	640,653	(3.97) %
Mobile equipment	188,377	219,013	(13.99) %
Furniture and equipment	10,559	15,730	(32.87) %
<b>Total</b>	<b>\$ 3,761,155</b>	<b>\$ 3,891,180</b>	<b>(3.34) %</b>

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

**Debt Administration.** At June 30, 2013, the District had \$339,886 in outstanding long-term debt, of which \$57,744 is due within one year. The liability for compensated absences increased \$668 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 285,000	\$ 339,000	(15.93) %
Compensated absences payable	54,886	54,218	1.23 %
<b>Total</b>	<b>\$ 339,886</b>	<b>\$ 393,218</b>	<b>(13.56) %</b>

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

**CURRENT ISSUES**

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

BASIC FINANCIAL STATEMENTS

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UNION PUBLIC SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2013

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 3,690,904
Due from other governments	172,790
Inventories	15,083
Restricted assets (Note 4)	363,118
Non-depreciable capital assets (Note 5)	118,180
Depreciable capital assets, net (Note 5)	3,642,975
<b>Total Assets</b>	<u><u>8,003,050</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	346,819
Interest payable on long-term liabilities	2,727
Other payables	4,508
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	55,000
Non-capital related liabilities	2,744
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	230,000
Non-capital related liabilities	52,142
<b>Total Liabilities</b>	<u><u>693,940</u></u>
<b>Net Position</b>	
Net investment in capital assets	3,476,155
Restricted net position	
Expendable	
School-based activities	249,040
Debt service	9,435
Contractual commitments	
Forestry improvements	79,815
Unemployment benefits	16,822
Non-expendable	
Sixteenth section	2,625
Unrestricted	<u><u>3,475,218</u></u>
<b>Total Net Position</b>	<u><u>\$ 7,309,110</u></u>

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

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

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 4,015,791	175,373	533,304	(3,307,114)
Support services	2,511,041		306,497	(2,204,544)
Non-instructional	455,358	138,689	444,310	127,641
Sixteenth section	14,962			(14,962)
Interest on long-term liabilities	13,449			(13,449)
<b>Total Governmental Activities</b>	<b>7,010,601</b>	<b>314,062</b>	<b>1,284,111</b>	<b>(5,412,428)</b>
<b>General Revenues</b>				
Taxes				
				899,625
				42,049
Unrestricted grants and contributions				
				4,714,409
				34,336
				17,714
				32,777
				1,246
				<u>5,742,156</u>
				329,728
				<u>6,979,382</u>
				<u>\$ 7,309,110</u>

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

UNION PUBLIC SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2013

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Title I Fund	Other Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents (Note 2)	\$ 3,683,032		370,990	4,054,022
Due from other governments	79,487	43,429	49,874	172,790
Due from other funds (Note 3)	53,419			53,419
Inventories			15,083	15,083
<b>Total Assets</b>	<b>3,815,938</b>	<b>43,429</b>	<b>435,947</b>	<b>4,295,314</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable & accrued liabilities	288,448	17,561	40,810	346,819
Due to other funds (Note 3)		25,868	27,551	53,419
Other payables	4,508			4,508
<b>Total Liabilities</b>	<b>292,956</b>	<b>43,429</b>	<b>68,361</b>	<b>404,746</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Inventory			15,083	15,083
Permanent fund principal			2,625	2,625
<b>Restricted</b>				
Debt service			12,162	12,162
Forestry improvements			79,815	79,815
Unemployment benefits			16,822	16,822
Grant activities			233,957	233,957
<b>Assigned</b>				
School activities	137,439			137,439
Technology	18,094			18,094
Facility Additions/Improvements	940,759		7,122	947,881
Unassigned	2,426,690			2,426,690
<b>Total Fund Balances</b>	<b>3,522,982</b>	<b>0</b>	<b>367,586</b>	<b>3,890,568</b>
<b>Total Liabilities and Fund Balances</b>	<b>3,815,938</b>	<b>43,429</b>	<b>435,947</b>	<b>4,295,314</b>

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

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

Exhibit C-1

Amount

Total Fund Balance - Governmental Funds

\$ 3,890,568

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	118,180	
Buildings	4,223,529	
Building improvements	211,553	
Improvement other than buildings	1,038,941	
Mobile equipment	804,022	
Furniture and equipment	122,613	
Accumulated depreciation	<u>(2,757,683)</u>	3,761,155

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

Three mill notes payable	(285,000)	
Compensated absences	(54,886)	
Accrued interest payable	<u>(2,727)</u>	<u>(342,613)</u>

Total Net Position - Governmental Activities

\$ 7,309,110

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

## UNION PUBLIC SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	Title I Fund	Other Governmental Funds	
Revenues				
Local sources	\$ 1,090,465		183,237	1,273,702
State sources	4,667,682		157,016	4,824,698
Federal sources	34,336	274,260	899,310	1,207,906
Sixteenth section sources	32,261		516	32,777
Total Revenues	<u>5,824,744</u>	<u>274,260</u>	<u>1,240,079</u>	<u>7,339,083</u>
Expenditures				
Instruction	3,373,123	176,486	387,290	3,936,899
Support services	2,052,877	97,774	287,739	2,438,390
Noninstructional services			461,059	461,059
Sixteenth section	5,090		9,872	14,962
Facilities acquisition and construction			20,850	20,850
Debt service				
Principal (Note 6)			54,000	54,000
Interest			13,449	13,449
Total Expenditures	<u>5,431,090</u>	<u>274,260</u>	<u>1,234,259</u>	<u>6,939,609</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>393,654</u>	<u>0</u>	<u>5,820</u>	<u>399,474</u>
Other Financing Sources (Uses)				
Sale of other property			426	426
Operating transfers in (Note 3)	199,382		62,635	262,017
Other financing sources	820			820
Operating transfers out (Note 3)	(26,579)		(235,438)	(262,017)
Total Other Financing Sources (Uses)	<u>173,623</u>	<u>0</u>	<u>(172,377)</u>	<u>1,246</u>
Net Change in Fund Balances	<u>567,277</u>	<u>0</u>	<u>(166,557)</u>	<u>400,720</u>
Fund Balances				
July 1, 2012	2,955,705	0	528,442	3,484,147
Increase in reserve for inventory	<u>0</u>	<u>0</u>	<u>5,701</u>	<u>5,701</u>
June 30, 2013	<u>\$ 3,522,982</u>	<u>0</u>	<u>367,586</u>	<u>3,890,568</u>

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 400,720

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

Governmental funds report capital outlay 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, those amounts are:

Capital outlay	20,850	
Depreciation expense	<u>(150,755)</u>	(129,905)

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 asset sold. (120)

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 position. Also, governmental funds report the effect of issuance cost, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	<u>54,000</u>	54,000
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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 the governmental funds. These activities include:

Change in compensated absences	(668)	
Change in inventory reserve	<u>5,701</u>	<u>5,033</u>

Changes in Net Position of Governmental Activities		<u>\$ 329,728</u>
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The notes to the financial statements are an integral part of this statement.

UNION PUBLIC SCHOOL DISTRICT  
Statement of Net Position - Fiduciary Funds  
June 30, 2013

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 2)	<u>\$ 7,313</u>	<u>\$ 46,863</u>
Total Assets	<u>7,313</u>	<u>46,863</u>
Liabilities		
Accounts payable and accrued liabilities		358
Due to student clubs		<u>46,505</u>
Total Liabilities	<u>0</u>	<u>\$ 46,863</u>
Net Position		
Reserved for endowments	<u>7,313</u>	
Total Net Position	<u>\$ 7,313</u>	

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

UNION PUBLIC SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2013

Exhibit F

	<u>Private-Purpose Trust Funds</u>
<b>Additions</b>	
Contributions and donations from private sources	\$ 189
Total Additions	<u>189</u>
<b>Deductions</b>	
Scholarships awarded	250
Total Deductions	<u>250</u>
<b>Changes in Net Position</b>	<u>(61)</u>
<b>Net Position</b>	
July 1, 2012	<u>7,374</u>
June 30, 2013	<u>\$ 7,313</u>

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

UNION PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Union since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

**B. 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 consists 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.

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.

UNION PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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.

**Title I Basic** - This special revenue fund is federally funded and is used to account for expenditures associated with educationally deprived children.

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:

The District's fiduciary funds include the following:

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

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

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

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

**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.

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

#### FIDUCIARY FUNDS

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

**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.

UNION PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

**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 PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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 limited to use by Federal Programs and others 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. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

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.

UNION PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

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

8. 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.

9. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities.

10. Fund Balances

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

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

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

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

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

UNION PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

*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 of education and the business manager pursuant to authorization established by the school board.

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

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 10% of the revenues of the General Fund.

**Note 2 – Cash and Cash Equivalents**

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,054,022 and \$54,176, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$3,690,904.

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

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

UNION PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - Title I Fund	\$ 25,868
	Other governmental funds	27,551
Total		\$ 53,419

The purpose of the inter-fund loans were to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 26,579
Other governmental funds	General Fund	199,382
	Other governmental funds	36,056
Total		\$ 262,017

The transfer out of the General Fund was for the purpose of funding the vocational program and unemployment compensation fund in the Other Governmental Funds. The transfer out of the Other Governmental Funds to the General Fund was for indirect cost and to provide for the payment of facility improvements paid from that fund.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance (\$363,118) of certain funds including the Sixteenth Section Principal Fund (Permanent Fund) which are legally restricted and may not be used for purposes that support the district's programs.

**Note 5 – Capital Assets**

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

UNION PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

	Balance 7/1/2012	Increases	Decreases	Completed Construction	Balance 6/30/2013
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 118,180				118,180
Construction-in-progress	351,233	20,850		(372,083)	0
Total non-depreciable capital assets	<u>469,413</u>	<u>20,850</u>	<u>0</u>	<u>(372,083)</u>	<u>118,180</u>
<u>Depreciable capital assets:</u>					
Buildings	3,851,446			372,083	4,223,529
Building improvements	211,553				211,553
Improvements other than buildings	1,038,941				1,038,941
Mobile equipment	804,022				804,022
Furniture and equipment	134,626		(12,013)		122,613
Total depreciable capital assets	<u>6,040,588</u>	<u>0</u>	<u>(12,013)</u>	<u>372,083</u>	<u>6,400,658</u>
<u>Less accumulated depreciation for:</u>					
Buildings	1,413,857	68,807			1,482,664
Building improvements	102,771	20,845			123,616
Improvements other than buildings	398,288	25,416			423,704
Mobile equipment	585,009	30,636			615,645
Furniture and equipment	118,896	5,051	(11,893)		112,054
Total accumulated depreciation	<u>2,618,821</u>	<u>150,755</u>	<u>(11,893)</u>	<u>0</u>	<u>2,757,683</u>
Total depreciable capital assets, net	<u>3,421,767</u>	<u>(150,755)</u>	<u>(120)</u>	<u>372,083</u>	<u>3,642,975</u>
Governmental activities capital assets, net	<u>\$ 3,891,180</u>	<u>(129,905)</u>	<u>(120)</u>	<u>0</u>	<u>3,761,155</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 78,892
Support services	71,863
Non-instructional	0
Total depreciation expense - Governmental activities	<u>\$ 150,755</u>

**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 6/30/2013	Amounts due within one year
A. Three mill notes payable	339,000		54,000	285,000	55,000
B. Compensated absences payable	54,218	668		54,886	2,744
Total	<u>\$ 393,218</u>	<u>668</u>	<u>54,000</u>	<u>339,886</u>	<u>57,744</u>

**A. Three mill notes payable**

Debt currently outstanding is as follows:

UNION PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, 2003	3.5-4.2	4/1/2003	4/1/2018	\$ 750,000	285,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 55,000	11,425	66,425
2015	58,000	9,362	67,362
2016	60,000	7,042	67,042
2017	62,000	4,642	66,642
2018	50,000	2,100	52,100
Total	\$ 285,000	34,571	319,571

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

**B. Compensated absences payable**

As more fully explained in Note 1(F)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

**Note 7 – Other Commitments**

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

Lease expenditures for the year ended June 30, 2013, amounted to \$1,140. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2014	\$ 855

**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. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$569,038, \$489,640 and \$425,570, respectively, which equaled the required contributions for each year.

UNION PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

**Note 9 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2014	\$ 5,612
2015	4,016
2016	4,016
2017	4,016
2018	4,016
2019 – 2023	20,080
2024 – 2028	19,980
2029 – 2033	18,580
Thereafter	14,309
Total	<u>\$ 94,625</u>

**Note 10 – Contingencies**

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

**Note 11 – Risk Management**

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

**Note 12 – Vocational School Consortium**

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

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

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

UNION PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2013

**Note 13 - 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 or 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 School District evaluated the activity of the district through April 9, 2014, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements:

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REQUIRED SUPPLEMENTARY INFORMATION

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UNION PUBLIC SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 1,045,770	1,090,465	1,090,465	44,695	0
State sources	4,396,294	4,667,682	4,667,682	271,388	0
Federal sources	56,434	34,336	34,336	(22,098)	0
Sixteenth section sources	0	0	32,261	0	32,261
<b>Total Revenues</b>	<b>5,498,498</b>	<b>5,792,483</b>	<b>5,824,744</b>	<b>293,985</b>	<b>32,261</b>
Expenditures					
Instruction	3,399,613	3,373,123	3,373,123	26,490	0
Support services	2,225,770	2,052,877	2,052,877	172,893	0
Sixteenth section	0	0	5,090	0	(5,090)
<b>Total Expenditures</b>	<b>5,625,383</b>	<b>5,426,000</b>	<b>5,431,090</b>	<b>199,383</b>	<b>(5,090)</b>
Excess (Deficiency) of Revenues Over Expenditures	(126,885)	366,483	393,654	493,368	27,171
Other Financing Sources (Uses)					
Operating transfers in	546,715	637,058	199,382	90,343	(437,676)
Other financing sources	0	820	820	820	0
Operating transfers out	(449,625)	(459,963)	(26,579)	(10,338)	433,384
<b>Total Other Financing Sources (Uses)</b>	<b>97,090</b>	<b>177,915</b>	<b>173,623</b>	<b>80,825</b>	<b>(4,292)</b>
Net Change in Fund Balances			567,277		
Fund Balances					
July 1, 2012			2,955,705		
June 30, 2013			\$ 3,522,982		

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

UNION PUBLIC SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - 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
	Revenues				
Federal sources	\$ 290,929	274,260	274,260	(16,669)	0
Total Revenues	<u>290,929</u>	<u>274,260</u>	<u>274,260</u>	<u>(16,669)</u>	<u>0</u>
Expenditures					
Instruction	190,565	176,486	176,486	14,079	0
Support services	100,254	97,774	97,774	2,480	0
Total Expenditures	<u>290,819</u>	<u>274,260</u>	<u>274,260</u>	<u>16,559</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>110</u>	<u>0</u>	<u>0</u>	<u>(110)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2012			<u>0</u>		
June 30, 2013			<u>\$ 0</u>		

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

UNION PUBLIC SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2013

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

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SUPPLEMENTARY INFORMATION

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UNION PUBLIC SCHOOL DISTRICT  
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 No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 137,189
National school lunch program	10.555	429,367
Summer food service program for children	10.559	9,825
Total child nutrition cluster		576,381
Total U.S. Department of Agriculture		576,381
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	14,576
Total Federal Communications Commission		14,576
 <u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	274,260
Twenty first century community learning centers	84.287	191,287
Rural education	84.358	17,548
Improving teacher quality - state grants	84.367	46,158
Total		529,253
Special education cluster:		
Special education - grants to states	84.027	197,010
Special education - preschool grants	84.173	8,492
Total special education cluster		205,502
Total passed-through Mississippi Department of Education		734,755
Total U.S. Department of Education		734,755
 Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	5,025
Total U.S. Department of Health and Human Services		5,025
Total for All Federal Awards		\$ 1,330,737

NOTES TO SCHEDULE

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

UNION PUBLIC SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2013

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 5,439,702	\$ 4,114,247	\$ 412,351	\$ 413,065	\$ 500,039
Other	\$ 1,499,907	\$ 353,510	\$ 70,312	\$ 21,996	\$ 1,054,089
<b>Total</b>	<b>\$ 6,939,609</b>	<b>\$ 4,467,757</b>	<b>\$ 482,663</b>	<b>\$ 435,061</b>	<b>\$ 1,554,128</b>
 Total number of students	 <u>1,030</u>				
 Cost per student	 <u>\$ 6,737</u>	 <u>\$ 4,337</u>	 <u>\$ 469</u>	 <u>\$ 422</u>	 <u>\$ 1,509</u>

Notes to the schedule.

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

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

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

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

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

OTHER INFORMATION

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UNION PUBLIC SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	\$ 1,090,465	1,033,438	1,046,544	1,020,980
State sources	4,667,682	4,483,704	4,054,963	3,935,344
Federal sources	34,336	78,482	39,735	35,289
Sixteenth section sources	32,261	332,973	0	0
Total Revenues	<u>5,824,744</u>	<u>5,928,597</u>	<u>5,141,242</u>	<u>4,991,613</u>
Expenditures				
Instruction	3,373,123	3,123,127	2,815,125	2,931,864
Support services	2,052,877	2,132,751	1,842,209	1,918,283
Sixteenth section	5,090	21,175	0	0
Total Expenditures	<u>5,431,090</u>	<u>5,277,053</u>	<u>4,657,334</u>	<u>4,850,147</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>393,654</u>	<u>651,544</u>	<u>483,908</u>	<u>141,466</u>
Other Financing Sources (Uses)				
Sale of other property	0	2,000	0	0
Operating transfers in	199,382	450,539	55,580	67,383
Other financing sources	820	0	0	0
Operating transfers out	(26,579)	(531,864)	(225,296)	(180,526)
Other financing uses	0	0	(545)	(1,124)
Total Other Financing Sources (Uses)	<u>173,623</u>	<u>(79,325)</u>	<u>(170,261)</u>	<u>(114,267)</u>
Net Change in Fund Balances	<u>567,277</u>	<u>572,219</u>	<u>313,647</u>	<u>27,199</u>
Fund Balances				
July 1, as previously reported	2,955,705	2,383,486	2,069,839	2,052,124
Prior period adjustments	0	0	0	(9,484)
July 1, as restated	<u>2,955,705</u>	<u>2,383,486</u>	<u>2,069,839</u>	<u>2,042,640</u>
June 30	<u>\$ 3,522,982</u>	<u>2,955,705</u>	<u>2,383,486</u>	<u>2,069,839</u>

\* Source - Prior year audit reports.

UNION PUBLIC SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
<b>Revenues</b>				
Local sources	\$ 1,273,702	1,223,311	1,239,726	1,216,036
State sources	4,824,698	4,652,396	4,259,650	4,123,419
Federal sources	1,207,906	1,532,615	1,749,643	1,678,499
Sixteenth section sources	32,777	333,584	175,883	143,805
<b>Total Revenues</b>	<u>7,339,083</u>	<u>7,741,906</u>	<u>7,424,902</u>	<u>7,161,759</u>
<b>Expenditures</b>				
Instruction	3,936,899	4,004,451	3,980,418	4,079,295
Support services	2,438,390	2,524,867	2,278,878	2,281,311
Noninstructional services	461,059	441,270	428,059	423,772
Sixteenth section	14,962	35,912	82,068	12,478
Facilities acquisition and construction	20,850	309,744	41,489	0
Debt service				
Principal	54,000	51,000	178,000	171,000
Interest	13,449	15,362	23,205	30,727
<b>Total Expenditures</b>	<u>6,939,609</u>	<u>7,382,606</u>	<u>7,012,117</u>	<u>6,998,583</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>399,474</u>	<u>359,300</u>	<u>412,785</u>	<u>163,176</u>
<b>Other Financing Sources (Uses)</b>				
Sale of other property	426	2,000	0	0
Operating transfers in	262,017	1,039,349	342,086	260,887
Other financing sources	820	0	0	0
Operating transfers out	(262,017)	(1,039,349)	(342,086)	(260,887)
Other financing uses	0	0	(765)	(1,124)
<b>Total Other Financing Sources (Uses)</b>	<u>1,246</u>	<u>2,000</u>	<u>(765)</u>	<u>(1,124)</u>
<b>Net Change in Fund Balances</b>	<u>400,720</u>	<u>361,300</u>	<u>412,020</u>	<u>162,052</u>
<b>Fund Balances</b>				
July 1, as previously reported	3,484,147	3,125,713	2,710,798	2,566,515
Prior period adjustments	0	0	0	(9,484)
<b>July 1, as restated</b>	<u>3,484,147</u>	<u>3,125,713</u>	<u>2,710,798</u>	<u>2,557,031</u>
<b>Increase (Decrease) in reserve for inventory</b>	<u>5,701</u>	<u>(2,866)</u>	<u>2,895</u>	<u>(8,285)</u>
<b>June 30</b>	<u>\$ 3,890,568</u>	<u>3,484,147</u>	<u>3,125,713</u>	<u>2,710,798</u>

\* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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

Independent Auditor's Report

Superintendent and School Board  
Union Public School District

I 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, (*the business-type activities, the aggregate discretely presented component units*), each major fund, and the aggregate remaining fund information of Union Public School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Union Public School District's basic financial statements, and have issued my report thereon dated April 9, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Union Public 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union Public School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Union Public 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 a 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 charged with governance.

My consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies. [2013-01].

**Compliance and Other Matters**

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

**Union Public School District's Response to Findings**

Union Public School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Union Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.

Kimberly J. May, CPA, PLLC

Madison, MS  
April 9, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Superintendent and School Board  
Union Public School District

**Report on Compliance for Each Major Federal Program**

I have audited Union Public 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 Union Public School District's major federal programs for the year ended June 30, 2013. Union Public 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's Responsibility***

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

***Auditor's Responsibility***

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Union Public School District's compliance.

***Opinion on Each Major Federal Program***

In my opinion, Union Public 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 Union Public 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 my audit of compliance, I considered Union Public 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 an opinion on compliance for each major federal 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, I do not express an opinion on the effectiveness of Union Public School District's internal control over compliance.

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

that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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.

My consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items [2013-02] that I consider to be significant deficiencies.

Union Public School District's responses to the internal control over compliance findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Union Public School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

*Kimberly J. May, CPA, PLLC*

Madison, MS  
April 9, 2014

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

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

Superintendent and School Board  
Union Public School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Public School District as of and for the year ended June 30, 2013, which collectively comprise Union Public School District's basic financial statements and have issued my report thereon dated April 9, 2014. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$-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 my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

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

*Kimberly J. May, CPA, PLLC*

Madison, MS  
April 9, 2014

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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UNION PUBLIC SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 June 30, 2013

Section I: Summary of Auditor's Results

**Financial Statements:**

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

**Federal Awards:**

- |     |  |            |
|-----|--|------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unmodified |
| 5.  | Internal control over major programs:  |            |
|     | a. Material weaknesses identified?   | No         |
|     | b. Significant deficiency identified that are not considered to be material weaknesses?  | Yes        |
| 6.  | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   | Yes        |
| 7.  | Federal program identified as major program:   |            |
|     | a. Child nutrition cluster   |            |
|     | CFDA #: 10.553   |            |
|     | CFDA #: 10.555   |            |
|     | CFDA #: 10.559   |            |
|     | b. Title I grants to local educational agencies cluster  |            |
|     | CFDA #: 84.010   |            |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000  |
| 9.  | Auditee qualified as a low-risk auditee?   | No         |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No         |

Section II: Financial Statement Findings

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

**Finding 2013-01**

**CONDITION:** The business manager initiates, prepares and enters the more significant journal entries (closing entries) which are necessary to correct, post or otherwise adjust the account balances or classes of transactions to produce and prepare the year-end financial statements

**CRITERIA:** An appropriately and properly designed system of internal accounting controls would have these duties segregated to the greatest extent possible.

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

**EFFECT OF CONDITION:** The condition could lead to errors being made and those errors not being prevented or detected.

UNION PUBLIC SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
June 30, 2013

RECOMMENDATION: It is recommended that the duties of the business manager relating to journal entries and bank account reconciliations be segregated to the greatest extent possible.

Section III: Federal Award Findings and Questioned Costs

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

**Finding 2013-02**

CONDITION: Indirect cost transfers from the Child Nutrition exceeded the maximum amount allowed by \$2,023.

CRITERIA: Indirect cost transfers are limited to the indirect cost rate multiplied by total expenditure of the program for the fiscal year (less any expenditure for equipment and purchased food).

EFFECT: The effect of the condition could result in unallowed or questioned cost to the program.

CONDITION: The cause of the condition was the result of mistakes made in the calculation of indirect cost.

PREVALENCE: This matter is considered an isolated incident.

RECOMMENDATION: It is recommended that indirect cost be calculated using the correct methodology.

AUDITEE'S CORRECTIVE ACTION PLAN

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601 774-0600 FAX

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# Union Public School District

April 4, 2014

As required by Section 315(c) of OMB Circular A-133, the Union Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Finding 2013-01

Corrective Action Plan

- a. Contact person responsible for corrective action is George Hedgepeth.
- b. I have put in place measures to properly correct this deficiency in controls.
- c. The completion date of corrective action is effective immediately.

Finding 2013-02

Corrective Action Plan

- a. Contact person responsible for corrective action is George Hedgepeth
- b. I have put in place measures to properly correct this deficiency in controls.
- c. The completion date of corrective action is effective immediately.

Sincerely,



Ray Perry  
Superintendent of Education

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