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UNION COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Union County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2010, which collectively comprise the Union County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Union County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Union County School District, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

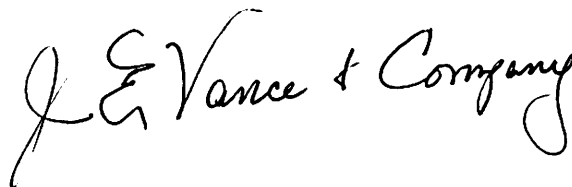
In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2010, on our consideration of the Union County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 46 through 48 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

April 29, 2011
Tupelo, Mississippi

A handwritten signature in cursive script that reads "J E Vance & Company". The signature is written in dark ink and is positioned to the right of the date and location text.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**UNION COUNTY SCHOOL DISTRICT
MANAGAMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

The discussion and analysis of Union County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2010 decreased \$41,733, including a prior period adjustment of \$40,460, which represents a 0.41% decrease from fiscal year 2009. Total net assets for 2009 increased \$513,407, which represents an approximate 5.3% increase from fiscal year 2009.
- General revenues account for \$16,001,178 and \$16,150,189 in revenue, or 79% and 79.8% of all revenues for fiscal years 2010 and 2009 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,380,910 or 21% of total revenues for 2010 and \$4,082,526 or 20.2% of total revenues for 2009.
- The District had \$20,464,281 and \$19,719,308 in expenses for fiscal years 2010 and 2009; only \$4,380,910 for 2010 and \$4,082,526 for 2009 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$16,001,178 for 2010 were not adequate to provide for these programs and \$16,150,189 for 2009 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,596,815 in revenues and \$15,556,474 in expenditures for 2010 and \$16,606,946 in revenues and \$16,177,272 in expenditures for 2009. The General Fund's fund balance decreased by \$114,977 from 2009 to 2010, and increased by \$196,718 from 2008 to 2009.
- Capital assets, net of accumulated depreciation, increased by \$406,654 for 2010, which includes a prior period adjustment in the amount of \$35,595, and decreased by \$340,047 for 2009. The increase for 2010 was due primarily to the acquisition of new assets during the fiscal year.
- Long-term debt increased by \$2,462,105 for 2010 and decreased by \$352,598 for 2009. This increase was due primarily to the issuance of Qualified Zone Construction Bonds in the amount of \$3,000,000. Included in the above amount, Compensated Absences Payable increased by \$5,250 from 2009 to 2010.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 16 and 17 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 21, respectively.

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

The basic governmental fund financial statements can be found on pages 18 and 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Assets and Liabilities on page 22.

Notes to 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 on pages 23 – 45 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 47 – 48 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 50 – 51 of this report. A Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found on page 52 of this report.

Also, included in the other supplemental information section are 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. This information is presented for the purposes of additional analysis as required by the

Mississippi Department of Education and is not a required part of the basic financial statements. The other supplemental information can be found on pages 54 – 55.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$10,110,520 as of June 30, 2010.

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

Table 1 presents a summary of the District's net assets at June 30, 2010 and June 30, 2009.

TABLE 1
CONDENSED STATEMENT OF NET ASSETS

	2010	2009	Percentage Change
Current assets	\$ 8,426,541	\$ 6,240,404	35.03%
Restricted assets	151,991	149,122	1.92%
Capital assets, net	9,594,303	9,187,649	4.43%
Total assets	<u>18,172,835</u>	<u>15,577,175</u>	16.66%
Current liabilities	1,145,033	1,257,745	-8.96%
Long-term debt outstanding	6,917,282	4,167,177	65.99%
Total liabilities	<u>8,062,315</u>	<u>5,424,922</u>	48.62%
Net assets:			
Invested in capital assets, net of related debt	3,118,936	5,174,224	-39.72%
Restricted	3,703,195	1,535,585	141.16%
Unrestricted	3,288,389	3,442,444	-4.48%
Total net assets	<u>\$ 10,110,520</u>	<u>\$ 10,152,253</u>	-0.41%

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

- Increase in current assets in the amount of \$2,186,137.
- Increase in net capital assets in the amount of \$406,654, including a prior period adjustment in the amount of \$35,595.
- Increase in long-term debt outstanding in the amount of \$2,462,105.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$20,382,088 and \$20,232,715, respectively. The total cost of all programs and services for 2010 was \$20,464,281 and \$19,719,308 for 2009. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

TABLE 2
CHANGES IN NET ASSETS

	Year Ended June 30, 2010	Year Ended June 30, 2009	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,333,765	\$ 1,367,199	-2.45%
Operating grants and contributions	3,047,145	2,715,327	12.22%
General revenues			
Property taxes	2,746,347	2,536,466	8.27%
Unrestricted grants	12,889,090	13,284,587	-2.98%
Investment earnings	98,887	261,667	-62.21%
Other	266,854	67,469	295.52%
Total revenues	<u>20,382,088</u>	<u>20,232,715</u>	0.74%
Expenses:			
Instruction	12,448,375	12,157,644	2.39%
Support services	5,995,474	5,593,589	7.18%
Non-instructional services	1,847,754	1,866,571	-1.01%
Interest and other charges related to long-term liabilities	172,678	101,504	70.12%
Total expenses	<u>20,464,281</u>	<u>19,719,308</u>	3.78%
Change in net assets	<u>(82,193)</u>	<u>513,407</u>	-116.01%
Net Assets, July 1, as originally reported	10,152,253	9,638,846	5.33%
Prior Period Adjustment(s)	40,460	-0-	N/A
Net Assets Restated, July 1	<u>10,192,713</u>	<u>9,638,846</u>	5.75%
Net Assets, June 30	<u>\$ 10,110,520</u>	<u>\$ 10,152,253</u>	-0.41%

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

TABLE 3
FUNCTIONAL EXPENSES

	Total Expenses		Percentage Change
	2010	2009	
Instruction	\$ 12,448,375	\$ 12,157,644	2.39%
Support services	5,995,474	5,593,589	7.18%
Non-instructional	1,847,754	1,866,571	-1.01%
Interest on long-term debt	172,678	101,504	70.12%
Total expenses	<u>\$ 20,464,281</u>	<u>\$ 19,719,308</u>	3.78%

	Net (Expense) Revenue		Percentage Change
	2010	2009	
Instruction	\$ (10,290,638)	\$ (10,093,394)	1.95%
Support services	(5,358,520)	(5,115,058)	4.76%
Non-instructional	(261,535)	(326,826)	-19.98%
Interest on long-term debt	(172,678)	(101,504)	70.12%
Total net (expenses) revenue	<u>\$ (16,083,371)</u>	<u>\$ (15,636,782)</u>	2.86%

- Net cost of governmental activities (\$16,083,371 for 2010 and \$15,636,782 for 2009), was financed by general revenue, which is made up of primarily property taxes of \$2,746,347 for 2010 and \$2,536,466 for 2009, unrestricted state and federal revenues of \$12,889,090 for 2010 and \$13,284,587 for 2009, investment earnings of \$98,887 for 2010 and \$261,667 for 2009 and other sources of \$266,854 for 2010 and \$67,469 for 2009.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,148,167, an increase of \$2,051,963, including a decrease in inventory of \$5,583, from the prior year. \$2,133,966 or 30% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$5,014,201 or 70% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$114,977. The fund balance of Other Governmental Funds showed a decrease in the amount of \$287,211, including a decrease in inventory of \$5,583. The other major fund and its change in fund balance was as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
QSCB Capital Project Fund	\$ 2,454,151

BUDGETARY HIGHLIGHTS

Over the course of 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 any major Special Revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the District's total capital assets were \$16,034,255, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase in total assets before depreciation of \$882,635 from 2009 to 2010. Total accumulated depreciation was \$6,439,952 and total depreciation expense for the year was \$484,225, resulting in total net capital assets of \$9,594,303.

TABLE 4
CAPITAL ASSETS, NET OF DEPRECIATION

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Change</u>
Land	\$ 351,601	\$ 351,601	0.00%
Construction in Progress	351,997	-0-	100.00%
Buildings	5,638,348	5,900,984	-4.45%
Building improvements	2,058,097	2,029,194	1.42%
Improvements other than buildings	116,707	126,447	-7.70%
Mobile equipment	874,282	635,016	37.68%
Furniture and equipment	203,271	144,407	40.76%
Total	<u>\$ 9,594,303</u>	<u>\$ 9,187,649</u>	4.43%

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

Debt Administration. At June 30, 2010, the District had \$6,629,282 in long-term debt, including \$153,915 in compensated absences payable, of which \$454,458 is due within one year. Compensated absences payable increased by \$5,250 from the prior year.

TABLE 5
OUTSTANDING LONG-TERM DEBT

	June 30, 2010	June 30, 2009	Percentage Change
Limited Obligation Bonds Payable	\$ 2,915,000	\$ 3,075,000	-5.20%
Three mill note payable	-0-	221,000	-100.00%
Other loans payable	-0-	5,087	-100.00%
Obligations under energy efficiency leases	560,367	717,425	-21.89%
Qualified School Construction Bonds	3,000,000	-0-	100.00%
Compensated Absences Payable	153,915	148,665	3.53%
Total	\$ <u>6,629,282</u>	\$ <u>4,167,177</u>	59.08%

Additional information of the District's long-term debt can be found in Note 6 on pages 37 - 40 of this report.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District system of financial planning, budgeting and internal financial controls are 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 revenue.

Enrollment for the 2010 was 2,761 students, an increase of approximately 6.9% from the prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

UNION COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

		<u>Exhibit A</u> Governmental Activities
Assets		
Cash and cash equivalents (Note 2)	\$	2,779,281
Investments		4,805,925
Due from other governments		764,901
Accrued interest receivable		15,139
Other receivables, net		3,363
Inventories and prepaid items		19,017
Deferred charges		38,915
Restricted assets (Note 4)		151,991
Capital assets, not being depreciated (Note 5):		
Land		351,601
Construction in progress		351,997
Capital assets, net of accumulated depreciation (Note 5):		
Buildings		5,638,348
Building improvements		2,058,097
Improvements other than buildings		116,707
Mobile equipment		874,282
Furniture and equipment		203,271
Total Assets	\$	<u>18,172,835</u>
Liabilities		
Accounts payable and accrued liabilities	\$	1,391,450
Interest payable on long-term liabilities		41,583
Long-term liabilities, due within one year (Note 6)		
Capital related liabilities		454,458
Long-term liabilities, due beyond one year (Note 6)		
Capital related liabilities		6,020,909
Non-capital related liabilities		153,915
Total Liabilities	\$	<u>8,062,315</u>
Net Assets		
Invested in capital assets, net of related debt	\$	3,118,936
Restricted net assets:		
Expendable:		
School-based activities		742,669
Debt service		448,709
Capital improvements		2,454,151
Unemployment benefits		57,666
Unrestricted		3,288,389
Total Net Assets	\$	<u>10,110,520</u>

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

**UNION COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

					<u>Exhibit B</u> Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 12,448,375	801,322	1,356,415		(10,290,638)
Support services	5,995,474		636,954		(5,358,520)
Non-instructional	1,847,754	532,443	1,053,776		(261,535)
Interest on long-term liabilities	172,678				(172,678)
Total governmental activities	\$ 20,464,281	1,333,765	3,047,145	-0-	(16,083,371)
General Revenues:					
Taxes:					
			General purpose levies		2,567,100
			Debt purpose levies		179,247
Unrestricted grants and contributions:					
			State		11,807,180
			Federal		1,081,910
			Unrestricted investment earnings		98,887
			Other		266,854
			Total General Revenues		16,001,178
			Change in Net Assets		(82,193)
			Net Assets - Beginning		10,152,253
			Prior Period Adjustment (Note 9):		40,460
			Net Assets - Beginning - Restated		10,192,713
			Net Assets - Ending		\$ 10,110,520

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

**UNION COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

Exhibit C

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>QSCB Capital</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Projects Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents (Note 2)	\$ 1,192,254	452,630	1,134,397	2,779,281
Investments	2,755,925	2,000,000	201,991	4,957,916
Due from other governments	288,986		475,915	764,901
Accrued interest receivable	1,317	13,822		15,139
Due from other funds (Note 3)	258,081			258,081
Inventories and prepaid items			19,017	19,017
Total Assets	<u>\$ 4,496,563</u>	<u>2,466,452</u>	<u>1,831,320</u>	<u>8,794,335</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,054,259	12,301	324,890	1,391,450
Due to other funds (Note 3)			254,718	254,718
Total Liabilities	<u>1,054,259</u>	<u>12,301</u>	<u>579,608</u>	<u>1,646,168</u>
Fund Balances:				
Reserved for:				
Inventory			19,017	19,017
Unemployment benefits			57,666	57,666
Debt service			451,377	451,377
Capital projects		2,454,151		2,454,151
Unreserved:				
Designated for, reported in:				
General Fund	2,031,990			2,031,990
Undesignated, reported in:				
General fund	1,410,314			1,410,314
Special Revenue funds			723,652	723,652
Total Fund Balances	<u>3,442,304</u>	<u>2,454,151</u>	<u>1,251,712</u>	<u>7,148,167</u>
Total Liabilities and Fund Balances	<u>\$ 4,496,563</u>	<u>2,466,452</u>	<u>1,831,320</u>	<u>8,794,335</u>

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

**UNION COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Exhibit C-1</u> <u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,148,167
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets which are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$6,439,952. (Note 5)	9,594,303
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds less premium on refunding bonds. (Note 6)	(6,629,282)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(41,583)
4. Issuance cost on refunding bonds that will be amortized.	<u>38,915</u>
Total Net Assets - Governmental Activities	<u>\$ 10,110,520</u>

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

UNION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Major Funds		Other	Exhibit D
	General	QSCB Capital	Governmental	Total
	Fund	Projects Fund	Funds	Governmental
				Funds
Revenues:				
Local sources	\$ 3,793,317	19,035	633,501	4,445,853
State sources	11,660,000		583,641	12,243,641
Federal sources	143,498		3,549,096	3,692,594
Total Revenues	15,596,815	19,035	4,766,238	20,382,088
Expenditures:				
Instruction	9,841,464		2,518,078	12,359,542
Support services	4,994,341	198,739	940,311	6,133,391
Noninstructional services	501,633		1,318,824	1,820,457
Facilities acquisition and construction	30,108	316,402		346,510
Debt service:				
Principal	162,145		381,000	543,145
Interest	26,783		107,650	134,433
Total Expenditures	15,556,474	515,141	5,265,863	21,337,478
Excess (Deficiency) of Revenues				
Over Expenditures	40,341	(496,106)	(499,625)	(955,390)
Other Financing Sources (Uses):				
Proceeds of loans		3,000,000		3,000,000
Insurance loss recoveries	13,971			13,971
Operating transfers in	236,729		406,018	642,747
Operating transfers out	(406,018)	(49,743)	(186,986)	(642,747)
Other financing uses			(1,035)	(1,035)
Total Other Financing Sources (Uses)	(155,318)	2,950,257	217,997	3,012,936
Net Change in Fund Balances	(114,977)	2,454,151	(281,628)	2,057,546
Fund Balances - Beginning	3,557,281	-0-	1,538,923	5,096,204
Decrease in reserve for inventory	-0-	-0-	(5,583)	(5,583)
Fund Balances - Ending	\$ 3,442,304	2,454,151	1,251,712	7,148,167

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

**UNION COUNTY SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Exhibit D-1</u> <u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 2,057,546
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$855,367 and the depreciation expense amounted to \$484,225. (Note 5)	371,142
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(3,000,000)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. (Note 6)	543,145
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(38,245)
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(83)
6. Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activities.	(5,583)
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated absences	(5,250)
8. Amortization of prepaid issuance costs	<u>(4,865)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(82,193)</u></u>

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

**UNION COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2010**

	<u>Exhibit E</u> <u>Agency</u> <u>Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ <u>63,172</u>
Total Assets	\$ <u><u>63,172</u></u>
Liabilities	
Due to other funds (Note 3)	\$ 3,363
Due to student clubs	<u>59,809</u>
Total Liabilities	\$ <u><u>63,172</u></u>

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information on all of the nonfiduciary 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.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: Summary of Significant Accounting Policies (Continued)

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: Summary of Significant Accounting Policies (Continued)

QSCB Capital Project Fund - This fund is used to account for the proceeds and expenditures of Qualified School Construction Bonds.

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

The District's fiduciary funds include the following:

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

Accounts Payable Clearing - This fund is used to account for the District's claims payable and the payment of those claims.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

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

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

FIDUCIARY FUNDS

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

D. Account Classifications

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

E. Encumbrances

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: Summary of Significant Accounting Policies (Continued)

F. Assets, liabilities and net asset or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less. Cash and cash equivalents are valued at cost. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: Summary of Significant Accounting Policies (Continued)

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The following schedule details those thresholds.

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

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

7. Compensated Absences

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

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions of fund reserves used by the district:

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

Reserved for capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which is legally restricted and not available for spending for any purpose other than that for which it is restricted.

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

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 1: Summary of Significant Accounting Policies (Continued)

Unreserved - designated for, reported in general funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future use.

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

Note 2: Cash and Cash Equivalents and Investments

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

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

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 2: Cash and Cash Equivalents and Investments (Continued)

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,585,206 (which includes \$4,805,925 of certificates of deposit with original maturities beyond three months and are reported on Exhibit C as investments) and \$63,172, respectively. The bank balance was \$8,366,555.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2010, none of the district's bank balance of \$8,366,555 was exposed to custodial credit risk.

Investments.

As of June 30, 2010, the district had the following investments.

Investment Type	Maturities (in years)	Fair Market Value	Rating
Certificates of Deposit	1	\$ 4,805,925	None
Hancock Horizon Treasury Securites			
Money Market Mutual Fund	Less than 1	151,991	AAA
Total		<u>\$ 4,957,916</u>	

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

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 2: Cash and Cash Equivalents and Investments (Continued)

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

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

Note 3: Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 254,718
General Fund	Fiduciary Funds	3,363
Total		\$ <u>258,081</u>

The purpose of the interfund loans was to cover federal and state funds not received prior to year-end, indirect costs and amounts due from agency funds. Payments are made on amounts due between funds within three months

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 3: Interfund Transactions and Balances (Continued)

B. Transfers In/Out

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	\$ 406,018
QSCB Fund	General Fund	49,743
Other Governmental Funds	General Fund	186,986
Total		\$ <u>642,747</u>

The principal purpose of interfund transfers was to provide funds to reimburse for prior year expenditures for a capital project or to provide funds for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

Note 4: Restricted Assets - Investments

The restricted assets represent the investment balance totaling \$151,991, which is legally restricted for the Limited Obligation Bonds Payable (State Aid Capital Improvement Refunding Series, 2008).

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 5: Capital Assets

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

	Balance 7/1/2009	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2010
<u>Non-depreciable capital assets:</u>						
Land	\$ 351,601					351,601
Construction in progress	-0-	316,402			35,595	351,997
Total non-depreciable capital assets	351,601	316,402	-0-	-0-	35,595	703,598
<u>Depreciable capital assets:</u>						
Buildings	8,974,914					8,974,914
Building improvements	2,756,486	30,108				2,786,594
Improvements other than buildings	243,495					243,495
Mobile equipment	2,415,878	387,008				2,802,886
Furniture and equipment	409,246	121,849	(8,327)			522,768
Total depreciable capital assets	14,800,019	538,965	(8,327)	-0-	-0-	15,330,657
<u>Less accumulated depreciation for:</u>						
Buildings	3,073,930	152,377			110,259	3,336,566
Building improvements	727,292	111,464			(110,259)	728,497
Improvements other than buildings	117,048	9,740				126,788
Mobile equipment	1,780,862	147,742				1,928,604
Furniture and equipment	264,839	62,902	(8,244)			319,497
Total accumulated depreciation	5,963,971	484,225	(8,244)	-0-	-0-	6,439,952
Total depreciable capital assets, net	8,836,048	54,740	(83)	-0-	-0-	8,890,705
Governmental activities capital assets, net	\$ 9,187,649	371,142	(83)	-0-	35,595	9,594,303

Adjustments were for construction expenditures paid in the prior year.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 162,611
Support services	282,537
Non-instructional services	39,077
Total depreciation expense	\$ 484,225

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 5: Capital Assets (Continued)

Commitments under construction contracts at June 30, 2010, are summarized as follows:

	Spent to June 30, 2010	Remaining Commitment
Additions and renovations project	\$ 351,997	\$ 1,686,343
	<u>\$ 351,997</u>	<u>\$ 1,686,343</u>

Note 6: Long-term Liabilities

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

	Balance 7/1/2009	Additions	Reductions	Adjustments	Balance 6/30/2010	Amounts due within one year
A. Limited obligation bonds payable	\$ 3,075,000		160,000		2,915,000	290,000
B. Three mill note payable	221,000		221,000		-0-	
C. Obligations under energy efficiency lease	717,425		157,058		560,367	164,458
D. Qualified school construction bonds payable	-0-	3,000,000			3,000,000	
E. Other loans payable	5,087		5,087		-0-	
F. Compensated absences payable	148,665	5,250			153,915	
Total	<u>\$ 4,167,177</u>	<u>3,005,250</u>	<u>543,145</u>	<u>-0-</u>	<u>6,629,282</u>	<u>454,458</u>

A. Limited obligation bonds payable

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 6: Long-term Liabilities (Continued)

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement refunding, Series 2008	2.2- 3.60%	6/30/08	2/1/18	\$ 3,075,000	\$ 2,915,000
Total				\$ 3,075,000	\$ 2,915,000

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	290,000	92,050	382,050
2012	300,000	82,463	382,463
2013	310,000	72,550	382,550
2014	320,000	62,313	382,313
2015	325,000	51,831	376,831
2016-2018	1,370,000	88,142	1,458,142
Total	\$ 2,915,000	449,349	3,364,349

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 6: Long-term Liabilities (Continued)

B. Three mill note payable

This debt was paid off during this year.

C. Obligations under energy efficiency lease

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under energy efficiency lease	4.00%	3/4/05	3/4/14	\$ 1,513,170	\$ 560,367
Total				\$ 1,513,170	\$ 560,367

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

Year Ending June 30,	Principal	Interest	Total
2011	164,458	19,383	183,841
2012	171,159	12,682	183,841
2013	178,132	5,709	183,841
2014	46,618	305	46,923
Total	\$ 560,367	38,079	598,446

This debt will be retired from the District Maintenance Fund.

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

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

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

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 6: Long-term Liabilities (Continued)

D. Qualified school construction bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified School Construction Bonds	0.69%	12/29/09	9/15/24	\$ 3,000,000	\$ 3,000,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

E. Other loans payable

This debt was paid off during this year.

F. Compensated absences payable

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

Note 7: Prior Year Defeasance of Debt

In prior years, the Union County School District defeased certain Limited Obligation Bonds (State Aid Capital Improvement Bonds) by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On July 1, 2008, all of the remaining \$2,970,000 of outstanding bonds were defeased.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

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 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2010, was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2010, 2009, and 2008 were \$1,395,336, \$1,353,588, and \$1,312,207, respectively, which equaled the required contributions for each year.

Note 9: Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanations	Amount
1. To correct construction in progress	\$ 35,595
2. To correct deferred charges	4,865
Total	\$ <u>40,460</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.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 10: Contingencies (Continued)

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 11: Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 63 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance that will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for the excess losses incurred by the pool.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 12: Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2010 was \$0. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 288,000
2012	208,000
2013	208,000
2014	208,000
2015	208,000
2016 – 2020	1,040,000
2021 – 2025	840,000
Total	<u>\$ 3,000,000</u>

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 13: Alternative School Consortium

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

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

The New Albany Public School District has been designated as the lead school district for the New Albany/South Tippah/Union County Alternative School consortium, and the operations of the consortium are included in its financial statements.

Note 14: Vocational School Consortium

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

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

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Note 15: Insurance Loss Recoveries

The Union County School District received \$13,971 in insurance loss recoveries related to bus wreck and water damage during the 2009-2010 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction of expenditures and allocated among the expenditure functions based on use as follows:

Insurance Loss		
<u>Recoveries</u>	<u>Percentage</u>	<u>Expenditure Function</u>
\$ <u>13,971</u>	<u>100%</u>	Support services
\$ <u><u>13,977</u></u>	<u><u>100%</u></u>	

REQUIRED SUPPLEMENTARY INFORMATION

**UNION COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,295,453	3,938,202	3,793,317	642,749	(144,885)
State sources	13,543,392	11,660,000	11,660,000	(1,883,392)	-0-
Federal sources	140,264	143,498	143,498	3,234	-0-
Total Revenues	<u>16,979,109</u>	<u>15,741,700</u>	<u>15,596,815</u>	<u>(1,237,409)</u>	<u>(144,885)</u>
Expenditures:					
Instruction	10,662,855	9,988,712	9,841,464	674,143	147,248
Support services	5,306,061	4,994,341	4,994,341	311,720	-0-
Noninstructional services	426,218	501,632	501,633	(75,414)	(1)
Facilities acq. and constr.		30,108	30,108	(30,108)	-0-
Debt service:					
Principal	194,014	188,928	162,145	5,086	26,783
Interest			26,783	-0-	(26,783)
Total Expenditures	<u>16,589,148</u>	<u>15,703,721</u>	<u>15,556,474</u>	<u>885,427</u>	<u>147,247</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>389,961</u>	<u>37,979</u>	<u>40,341</u>	<u>(351,982)</u>	<u>2,362</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	5,000	14,471	13,971	9,471	(500)
Operating transfers in	80,000	3,979,822	236,729	3,899,822	(3,743,093)
Operating transfers out	(1,832,610)	(4,149,611)	(406,018)	(2,317,001)	3,743,593
Total Other Financing Sources (Uses)	<u>(1,747,610)</u>	<u>(155,318)</u>	<u>(155,318)</u>	<u>1,592,292</u>	<u>-0-</u>
Net Change in Fund Balances	<u>(1,357,649)</u>	<u>(117,339)</u>	<u>(114,977)</u>	<u>1,240,310</u>	<u>2,362</u>
Fund Balances:					
July 1, 2009	<u>3,555,794</u>	<u>3,555,794</u>	<u>3,557,281</u>	<u>-0-</u>	<u>1,487</u>
June 30, 2010	<u>\$ 2,198,145</u>	<u>3,438,455</u>	<u>3,442,304</u>	<u>1,240,310</u>	<u>3,849</u>

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

Budgetary Comparison Schedule

Note 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.

Note 2: Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	314,588
National school lunch program	10.555	723,926
Total child nutrition cluster		<u>1,038,514</u>
Total passed-through Mississippi Department of Education		<u>1,038,514</u>
Total U.S. Department of Agriculture		<u>1,038,514</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	37,571
Total Federal Communications Commission		<u>37,571</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I Cluster		
Title I - grants to local educational agencies	84.010	407,235
ARRA - Title I - grants to local educational agencies	84.389	191,218
Total Title I Cluster		<u>598,453</u>
Special education cluster:		
Special education - grants to states	84.027	587,517
Special education - preschool grants	84.173	23,321
ARRA - Special education - grants to states	84.391	164,722
Total special education cluster		<u>775,560</u>
Safe and drug free schools and communities - state grants	84.186	14,376
Education technology state grants	84.318	5,092
English language acquisition grants	84.365	394
Improving teacher quality - state grants	84.367	103,233
ARRA - State fiscal stabilization fund (SFSF) education state grants	84.394	961,228
Total		<u>2,458,336</u>
Total passed through Mississippi Department of Education		<u>2,458,336</u>
Total U.S. Department of Education		<u>2,458,336</u>
Total for All Federal Awards		<u>\$ 3,534,421</u>

**UNION COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

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

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 15,667,284	12,380,582	614,851	981,830	1,690,021
Other	5,670,194	1,317,845	220,204	129,361	4,002,784
Total	\$ 21,337,478	13,698,427	835,055	1,111,191	5,692,805
Total number of students	2,761				
Cost per student	\$ 7,728	4,961	302	402	2,063

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

Instructional 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

OTHER SUPPLEMENTAL INFORMATION

UNION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND – LAST FOUR YEARS

"UNAUDITED"

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 3,793,317	3,543,130	3,278,736	2,928,755
Intermediate sources			3,000	
State sources	11,660,000	12,913,443	12,975,501	12,421,595
Federal sources	143,498	150,373	220,493	174,429
Total Revenues	<u>15,596,815</u>	<u>16,606,946</u>	<u>16,477,730</u>	<u>15,524,779</u>
Expenditures:				
Instruction	9,841,464	10,494,739	10,570,977	9,878,436
Support services	4,994,341	5,017,626	4,674,619	4,414,714
Noninstructional services	501,633	470,891	418,877	455,273
Facilities acquisition and construction	30,108			
Debt service:				
Principal	162,145	162,008	160,436	155,354
Interest	26,783	32,008	37,950	43,661
Total Expenditures	<u>15,556,474</u>	<u>16,177,272</u>	<u>15,862,859</u>	<u>14,947,438</u>
Excess (Deficiency) of Revenues over Expenditures	<u>40,341</u>	<u>429,674</u>	<u>614,871</u>	<u>577,341</u>
Other Financing Sources (Uses):				
Sale of other property			1,410	
Insurance loss recoveries	13,971	18,959		
Operating transfers in	236,729	179,821	68,500	75,000
Operating transfers out	(406,018)	(431,736)	(469,064)	(450,812)
Total Other Financing Sources (Uses)	<u>(155,318)</u>	<u>(232,956)</u>	<u>(399,154)</u>	<u>(375,812)</u>
Net Change in Fund Balances	<u>(114,977)</u>	<u>196,718</u>	<u>215,717</u>	<u>201,529</u>
Fund Balances:				
Beginning	3,557,281	3,360,563	3,117,091	2,915,562
Prior period adjustments			27,755	
Beginning, as restated	<u>3,557,281</u>	<u>3,360,563</u>	<u>3,144,846</u>	<u>2,915,562</u>
Ending	<u>\$ 3,442,304</u>	<u>3,557,281</u>	<u>3,360,563</u>	<u>3,117,091</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

UNION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUNDS – LAST FOUR YEARS

"UNAUDITED"

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 4,445,853	4,232,802	3,937,179	3,603,608
Intermediate sources			3,000	
State sources	12,243,641	13,695,021	14,156,804	13,029,971
Federal sources	3,692,594	2,304,892	2,451,859	2,143,238
Total Revenues	<u>20,382,088</u>	<u>20,232,715</u>	<u>20,548,842</u>	<u>18,776,817</u>
Expenditures:				
Instruction	12,359,542	12,011,564	12,707,450	11,247,508
Support services	6,133,391	5,450,290	5,146,097	5,229,162
Noninstructional services	1,820,457	1,828,178	1,647,953	1,613,855
Facilities acquisition and construction	346,510			
Debt service:				
Principal	543,145	575,318	574,406	538,354
Interest	134,433	104,842	196,310	212,585
Other			63,991	709
Total Expenditures	<u>21,337,478</u>	<u>19,970,192</u>	<u>20,336,207</u>	<u>18,842,173</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(955,390)</u>	<u>262,523</u>	<u>212,635</u>	<u>(65,356)</u>
Other Financing Sources (Uses):				
Proceeds of general obligation bonds			3,075,000	
Premium on debt issuance			15,346	
Payment to refunded bond escrow agent			(3,027,079)	
Proceeds of loans	3,000,000	221,000	178,310	188,970
Sale of other property			1,410	
Insurance loss recoveries	13,971	18,959		
Operating transfers in	642,747	611,557	537,564	526,256
Operating transfers out	(642,747)	(611,557)	(537,564)	(526,256)
Other financing uses	(1,035)			
Total Other Financing Sources (Uses)	<u>3,012,936</u>	<u>239,959</u>	<u>242,987</u>	<u>188,970</u>
Net Change in Fund Balances	<u>2,057,546</u>	<u>502,482</u>	<u>455,622</u>	<u>123,614</u>
Fund Balances:				
Beginning	5,096,204	4,593,981	4,117,587	3,983,595
Prior period adjustments			27,755	
Beginning, as restated	<u>5,096,204</u>	<u>4,593,981</u>	<u>4,145,342</u>	<u>3,983,595</u>
Increase (Decrease) in reserve for inventory	<u>(5,583)</u>	<u>(259)</u>	<u>(6,983)</u>	<u>10,378</u>
Ending	<u>\$ 7,148,167</u>	<u>5,096,204</u>	<u>4,593,981</u>	<u>4,117,587</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Union County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2010, which collectively comprise the Union County School District's basic financial statements and have issued our report thereon dated April 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

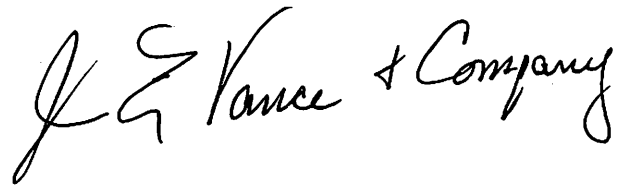
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material

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

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

April 29, 2011
Tupelo, Mississippi

A handwritten signature in cursive script that reads "J E Vance & Company". The signature is written in dark ink and is positioned to the right of the date and location text.

J.E. VANCE & COMPANY, P.A.

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

Superintendent and School Board
Union County School District

Compliance

We have audited the compliance of the Union County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Union County School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

April 29, 2011
Tupelo, Mississippi

J E Vance & Company

J.E. VANCE & COMPANY, P.A.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Union County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2010, which collectively comprise Union County School District's basic financial statements and have issued our report thereon dated April 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

April 29, 2011
Tupelo, Mississippi

J E Vance & Company

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditors' report issued on the financial statements: | Unqualified |
| 2. Material noncompliance relating to the financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | |
|--|---------------|
| 4. Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |
| 6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Child Nutrition Cluster: | |
| CFDA # 10.553 – School Breakfast Program | |
| CFDA # 10.555 – National School Lunch Program | |
| b. Title I Cluster | |
| CFDA #84.010 – Title I grants to local education agencies | |
| CFDA #84.389 – ARRA – Title I grants to local education agencies | |

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section 1: Summary of Auditor's Results (Continued)

7. Federal programs identified as major programs (continued)

c. Special Education Cluster:

CFDA # 84.027 – Special education grants to states

CFDA # 84.173 – Special education-preschool grants

CFDA # 84.391 – ARRA-Special education grants to states

d. State fiscal stabilization fund (SFSF) education state grants

CDFA # 84.394

8. The dollar threshold used to distinguish between
type A and type B programs: \$300,000.

9. Auditee qualified as a low-risk auditee? No

10. Prior fiscal year audit finding(s) and questioned cost relative
to federal awards which would require the auditee to prepare
a summary schedule of prior audit findings as discussed in
Section ____ .315(b) of OMB Circular A-133? No

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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