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**UNION COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

UNION COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Union County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Union County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11 and the District's Schedule of Proportionment Share of Net Pension Liability and Schedule of District Contributions on pages 46-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2015, on our consideration of the Union County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County School District's internal control over financial reporting and compliance.

Brewer, Vansterg & Co. P.A

Booneville, Mississippi
April 8, 2016

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

The following discussion and analysis of Union County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$25,268,568 which represents a 127.46% decrease from fiscal year 2014. Total net position for 2014 decreased \$108,762, which represents a 1% decrease from 2014.
- General revenues amounted to \$18,125,704 and \$17,109,753, or 78.21% and 79% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,049,768 or 21% of the total revenues for 2015, and \$4,562,902 or 21.58% of the total revenues for 2014.
- The District had \$21,607,350 and \$21,781,417 in expenses for fiscal years 2015 and 2014; only \$5,049,768 for 2015 and \$4,562,902 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$18,125,704 for 2015 and \$17,109,753 for 2014 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$19,504,230 in revenues and \$18,450,071 in expenditures for 2015 and \$18,017,329 in revenues and \$18,098,624 in expenditures for 2014. The General Fund's fund balance increased by \$593,785 from 2014 to 2015 and decreased by \$540,929 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$111,031 for 2015 and \$924,620 for 2014. The increase for 2015 was primarily due to the completion of construction in progress.
- Long-term debt decreased by \$325,000 for 2015 and decreased by \$370,026 for 2014. The liability for compensated absences decreased by \$1,152 for 2015 and increased by \$2,070 for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

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

Fund Financial Statements

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

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

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

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. The Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of Contributions are presented on pages 45 and 46.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator for the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,027,663 as of June 30, 2015.

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

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

**Table 1
Condensed Statement of Net Position**

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 5,798,240	\$ 5,634,962	2.90%
Restricted assets	1,331,044	1,085,793	22.59%
Capital assets, net	12,896,390	12,785,359	0.87%
Total assets	20,025,674	19,506,114	2.66%
Deferred Outflows of Resources	2,373,421	-	n/a
Current liabilities	346,731	378,292	-8.34%
Long-term debt outstanding	7,560,765	7,886,917	-4.14%
Net pension liability	24,115,022	-	n/a
Total liabilities	32,022,518	8,265,209	287.44%
Deferred Inflows	4,404,240	-	n/a
Net position:			
Net investment on capital assets	5,526,390	5,090,359	8.57%
Restricted	4,381,463	2,620,479	67.20%
Unrestricted	(23,935,516)	3,530,067	-778.05%
Total net position	\$ (14,027,663)	\$ 11,240,905	-224.79%

The following are significant current year transactions that have had an impact on the Statement of Net Position.
Increase in capital assets due primarily to construction less depreciation for a net increase of \$111,031.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$23,173,615 and \$21,672,655, respectively. The total cost of all programs and services was \$21,607,493 for 2015 and \$21,781,417 for 2014.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2015.-

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,820,394	\$ 1,451,482	25.42%
Operating grants and contributions	3,229,374	3,111,420	3.79%
General revenues:			
Property taxes	4,083,657	3,655,573	11.71%
Grants and contributions not restricted	13,959,154	13,314,291	4.84%
Investment earnings	25,872	38,352	-32.54%
Other	55,164	101,537	-45.67%
Total revenues	<u>23,173,615</u>	<u>21,672,655</u>	6.93%
Expenses:			
Instruction	11,448,479	13,051,489	-12.28%
Support services	6,733,810	6,438,043	4.59%
Non-instructional	2,069,826	2,150,792	-3.76%
Pension Expense	1,306,385	-	n/a
Interest and other expense on long-term liabilities	46,993	141,093	-66.69%
Total expenses	<u>21,605,493</u>	<u>21,781,417</u>	-0.81%
Increase(decrease) in net position	<u>1,568,122</u>	<u>(108,762)</u>	1541.79%
Net Position July 1	11,240,905	11,349,667	-0.96%
Prior Period Adjustments	(26,836,690)	-	n/a
Net Position beginning restated	<u>(15,595,785)</u>	<u>11,349,667</u>	-237.41%
Net Position - ending	<u>\$ (14,027,663)</u>	<u>\$ 11,240,905</u>	-224.79%

The following are significant current year transactions that have had an impact on the Statement of Net Asset. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,027,663 as of June 30, 2015.

Governmental activities

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

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the Implementation of GASB 68.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 11,448,479	\$ 13,051,489	-12.28%
Support services	6,733,810	6,438,043	4.59%
Non-instructional	2,069,826	2,150,792	-3.76%
Pension Expense	1,306,385	-	n/a
Interest on long-term liabilities	46,993	141,093	-66.69%
Total expenses	\$ 21,605,493	\$ 21,781,417	-0.81%

	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$ (8,990,056)	\$ (10,559,149)	-14.86%
Support services	(5,888,122)	(6,026,306)	-2.29%
Non-instructional	(424,169)	(491,967)	-13.78%
Pension Expense	(1,306,385)	-	n/a
Interest on long-term liabilities	(46,993)	(141,093)	-66.69%
Total net (expense) revenue	\$ (16,655,725)	\$ (17,218,515)	-3.26%

- Net cost of governmental activities (\$16,555,725) for 2015 and \$17,218,515 for 2014) was financed by general revenue, which is primarily made up of property taxes of (\$4,083,657 for 2015 and \$3,655,573 for 2014) and state and federal revenues of (\$14,040,190 for 2015 and \$13,314,291 for 2014).

- Investment earnings amounted to \$25,872 for 2015 and \$38,352 for 2014.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,817,899, an increase of \$435,253 including an increase in inventory of \$2,080. \$2,401,090 or 35.22% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,416,809 or 64.78% is either nonspendable, restricted committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$593,785. The fund balance of Other Governmental Funds showed an decrease in the amount of \$331,040. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$ (40,819)
Title I Fund	no increase or decrease
IDEA - Part B Fund	no increase or decrease
QSCB FY 13 Capital Projects Fund	213,327

- The fund balance of the School Food Service Fund included an increase in \$2,080 in reserve for inventory.

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$21,657,899, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$652,353 from 2014. Total accumulated depreciation as of June 30, 2015, was \$8,761,509, and total depreciation expense for the year was \$577,464, resulting in total net capital assets of \$12,896,390.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 388,811	\$ 388,811	0.00%
Construction in progress	41,428	1,105,179	-96.25%
Buildings	8,474,849	7,507,689	12.88%
Building improvements	2,577,031	2,737,529	-5.86%
Improvements other than buildings	589,236	128,477	358.63%
Mobile equipment	621,030	720,588	-13.82%
Furniture and equipment	204,005	197,086	3.51%
Total	<u>\$ 12,896,390</u>	<u>\$ 12,785,359</u>	0.87%

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

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Debt Administration. At June 30, 2015, the District had \$7,560,765 in outstanding long-term debt, of which \$340,000 is due within one year. The liability for compensated absences decreased \$1,152 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,370,000	\$ 1,695,000	-19.17%
Qualified school construction bonds payable	6,000,000	6,000,000	0.00%
Compensated absences payable	190,765	191,917	-0.60%
Total	<u>\$ 7,560,765</u>	<u>\$ 7,886,917</u>	-4.14%

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

Current Issues

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

UNION COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,736,368
Restricted assets	1,331,044
Investments	2,225,800
Due from other governments	781,215
Accrued interest receivable	10,183
Other receivables, net	616
Inventories	44,058
Capital assets, non-depreciable:	
Land	388,811
Capital assets, net of accumulated depreciation:	
Construction in progress	41,428
Buildings	8,474,849
Building improvements	2,577,031
Improvements other than buildings	589,236
Mobile equipment	621,030
Furniture and equipment	204,005
Total assets	<u>20,025,674</u>
Deferred Outflows of Resources	
Pensions	<u>2,373,421</u>
Liabilities	
Accounts payable and accrued liabilities	311,385
Interest payable on long-term liabilities	35,346
Long-term liabilities, due within one year:	
Capital related liabilities	340,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	7,030,000
Non-capital related liabilities	190,765
Net pension liability	24,115,022
Total liabilities	<u>32,022,518</u>
Deferred Inflow	
Pensions	<u>4,404,240</u>
Net Position	
Net investment in capital assets	5,526,390
Restricted for:	
Expendable:	
School based activities	2,431,563
Debt service	1,897,981
Unemployment benefits	51,919
Unrestricted	(23,935,516)
Total net position	<u>\$ (14,027,663)</u>

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

Exhibit B

UNION COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 11,448,479	\$ 1,222,986	\$ 1,335,437	\$ -	\$ (8,890,056)
Support services	6,733,810	62,861	782,827	-	(5,888,122)
Noninstructional services	2,069,826	534,547	1,111,110	-	(424,169)
Pension expense	1,306,385	-	-	-	(1,306,385)
Interest on long-term debt	46,993	-	-	-	(46,993)
Total governmental activities	<u>\$ 21,605,493</u>	<u>\$ 1,820,394</u>	<u>\$ 3,229,374</u>	<u>\$ -</u>	<u>(16,555,725)</u>
General Revenues:					
Taxes:					
General purpose levies					3,862,782
Debt purpose levies					220,875
Unrestricted grants and contributions:					
State					13,810,970
Federal					148,184
Unrestricted investment earnings					25,872
Other					55,164
Total general revenues					<u>18,123,847</u>
Change in net position					<u>1,568,122</u>
Net position - beginning, as previously reported					11,240,905
Prior period adjustments					(26,836,690)
Net position - beginning, restated					<u>(15,595,785)</u>
Net position - ending					<u>\$ (14,027,663)</u>

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

UNION COUNTY SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2015

EXHIBIT C

	Major Funds							
	General Fund	School Food Service Fund	Title I Fund	IDEA-Part B Fund	Vocational Education Fund	QSCB FY 13 Capital Projects Fund	Other Governmental Funds	Total
Assets								
Cash and cash equivalents	\$ 1,891,515	\$ 459,518	\$ -	\$ -	\$ 89,555	\$ -	\$ 295,780	\$ 2,736,368
Restricted assets	-	-	-	-	-	924,739	406,305	1,331,044
Investments	2,000,000	-	-	-	-	-	225,800	2,225,800
Due from other governments	407,373	-	65,774	75,030	-	-	233,038	781,215
Accrued interest receivable	-	-	-	-	-	6,738	3,445	10,183
Due from other funds	238,710	-	-	-	-	-	-	238,710
Inventories	-	44,058	-	-	-	-	-	44,058
Total Assets	\$ 4,537,598	\$ 503,576	\$ 65,774	\$ 75,030	\$ 89,555	\$ 931,477	\$ 1,164,368	\$ 7,367,378
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 221,830	\$ -	\$ -	\$ -	\$ 89,555	\$ -	\$ -	\$ 311,385
Due to other funds	-	76,000	65,774	75,030	-	-	21,290	238,094
Total liabilities	221,830	76,000	65,774	75,030	89,555	-	21,290	549,479
Fund Balances:								
Nonspendable:								
Inventory	-	44,058	-	-	-	-	-	44,058
Restricted for:								
Debt service funds	-	-	-	-	-	931,477	1,001,850	1,933,327
Food services	-	383,518	-	-	-	-	-	383,518
Grant activities	-	-	-	-	-	-	89,309	89,309
Unemployment benefits	-	-	-	-	-	-	51,919	51,919
Assigned:								
Activity funds	1,914,678	-	-	-	-	-	-	1,914,678
Unassigned:	2,401,090	-	-	-	-	-	-	2,401,090
Total fund balances	4,315,768	427,576	-	-	-	931,477	1,143,078	6,817,899
Total liabilities and fund balances	\$ 4,537,598	\$ 503,576	\$ 65,774	\$ 75,030	\$ 89,555	\$ 931,477	\$ 1,164,368	\$ 7,367,378

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

UNION COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total fund balances for governmental funds **\$ 6,817,899**

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

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

Construction in Progress	\$ 41,428	
Land	388,811	
Buildings	12,856,352	
Building improvements	4,012,445	
Improvements other than buildings	728,256	
Mobile equipment	2,824,853	
Furniture and equipment	805,754	
Accumulated depreciation	<u>(8,761,509)</u>	12,896,390

- 2 Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds: (24,115,022)

Net pension liability

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in funds:

Deferred outflows of resources related to pension	2,373,421	
Deferred intflows of resources related to pension	<u>(4,404,240)</u>	(2,030,819)

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

Limited obligation bonds	(1,370,000)	
Qualified school construction bonds	(6,000,000)	
Compensated absences	(190,765)	
Accrued interest payable	<u>(35,346)</u>	<u>(7,596,111)</u>

Net position of governmental activities \$ (14,027,663)

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

UNION COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2015

	Major Funds						Other Governmental Funds	Total
	General Fund	School Food Service Fund	Title I Fund	IDEA-Part B Fund	Vocational Education Fund	QSCB FY 13 Capital Projects Fund		
Revenue:								
Local sources	\$ 5,281,807	\$ 355,825	\$ -	\$ -	\$ -	\$ 20,481	\$ 231,540	\$ 5,889,653
State sources	14,074,239	14,077	-	-	92,592	-	526,947	14,707,855
Federal sources	148,184	1,166,770	535,957	551,879	-	-	169,984	2,572,774
Total Revenues	19,504,230	1,536,672	535,957	551,879	92,592	20,481	928,471	23,170,282
Expenditures:								
Instruction	11,950,961	-	376,137	370,224	406,959	-	181,705	13,285,986
Support services	5,763,664	108,442	151,716	181,655	36,241	-	97,626	6,339,344
Noninstructional services	690,238	1,395,129	8,104	-	-	-	-	2,093,471
Facilities acquisition and construction	45,208	-	-	-	-	-	574,640	619,848
Debt service:								
Principal	-	-	-	-	-	-	325,000	325,000
Interest	-	-	-	-	-	-	51,831	51,831
Other	-	-	-	-	-	-	1,857	1,857
Total Expenditures	18,450,071	1,503,571	535,957	551,879	443,200	-	1,232,659	22,717,337
Excess (Deficiency) of Revenues over (under) Expenditures	1,054,159	33,101	-	-	(350,608)	20,481	(304,188)	452,945
Other Financing Sources (Uses):								
Insurance recovery	2,710	-	-	-	-	-	-	2,710
Operating transfers in	298,815	-	-	-	350,608	215,328	195,963	1,060,714
Operating transfers out	(761,899)	(76,000)	-	-	-	-	(222,815)	(1,060,714)
Payment QZAB Escrow Agent	-	-	-	-	-	(22,482)	-	(22,482)
Total Other Financing Sources (Uses)	(460,374)	(76,000)	-	-	350,608	192,846	(26,852)	(19,772)
Net change in fund balances	593,785	(42,899)	-	-	-	213,327	(331,040)	433,173
Fund Balances:								
July 1, 2014, as previously reported	3,721,983	468,395	-	-	-	718,150	1,474,118	6,382,646
Increase(decrease)in reserve for inventory	-	2,080	-	-	-	-	-	2,080
June 30, 2015	\$ 4,315,768	\$ 427,576	\$ -	\$ -	\$ -	\$ 931,477	\$ 1,143,078	\$ 6,817,899

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

UNION COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 433,173

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

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

Capital outlay	\$ 693,231	
Depreciation expense	<u>(577,464)</u>	115,767

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

(4,736)

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

Payments of debt principal	325,000	
Accrued interest payable	<u>4,838</u>	329,838

4. The recording of Pension expense in the settlement of activities do not require the use of current financial resources and, therefore, are not reported as governmental funds:

Pension expense	(1,306,385)	
Contributions made after measurement date	<u>1,997,234</u>	690,849

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

Change in compensated absences	1,152	
Change in inventory reserve	<u>2,080</u>	3,232

Rounding		<u>(1)</u>
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Change in net position of governmental activities		<u><u>\$ 1,568,122</u></u>
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The notes to the financial statements are an integral part of this statement.

UNION COUNTY SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2015

	<u>Payroll Clearing</u>	<u>Accounts Payable Payable</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
Assets				
Cash and cash equivalents	\$ 92	763,054	75,212	\$ 838,358
Total Assets	<u>92</u>	<u>763,054</u>	<u>75,212</u>	<u>\$ 838,358</u>
Liabilities				
Accounts payable and accrued liabilities	-	762,530	-	\$ 762,530
Due to other funds	92	524	-	616
Due to student clubs	-	-	75,212	75,212
Total Liabilities	<u>92</u>	<u>763,054</u>	<u>75,212</u>	<u>\$ 838,358</u>

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

The school district reports the following major governmental funds:

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

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

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

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

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

Vocational Education Fund – This fund is used to account for the revenues and expenditures of the Vocational Education Fund.

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

The District's fiduciary funds include the following:

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

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

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

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

E. Assets, liabilities, deferred outflows/inflows and net position/fund balances

(1) Cash, Cash equivalents and Investments

Cash and Cash Equivalents

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Investments

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

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

Investments for the district are reported at fair market value.

(2) Receivables and payables

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

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

(3) Due from Other Governments

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

(4) Inventories and Prepaid Items

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

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

(5) Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds, in the amount of \$1,331,044.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 1 - Summary of Significant Accounting Policies (Continued)

(6) Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

(7) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows as of measurement date is \$376,187 and \$1,997,234 subsequent to measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources for pensions is \$4,404,241. Note (6) provides further information.

See note 7 for further details.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 1 - Summary of Significant Accounting Policies (Continued)
(8) Compensated Absences

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

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

(9) Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities and payments are reported as expenditures in the funds.

(10) Pensions

For purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(11) Fund balances

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

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

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 1 - Summary of Significant Accounting Policies (Continued)
(11) Fund balances

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

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

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

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

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first.

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

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

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

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

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

(11) Fund balances

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

Prior Period Adjustment

A prior period adjustment was made in the amount of \$26,836,690 to reflect the change in accounting of the implementation of GASB 68. This reflects the unfunded pension expense of public entities.

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 \$4,962,168 (which includes \$2,225,800 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$838,358, respectively.

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

Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$6,103,704 was exposed to custodial credit risk.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 2 - Continued

Investments

As of June 30, 2015, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificates of deposit	None	1- 1.5	<u>\$ 2,225,800</u>

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

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

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government. Of the districts investments in Hancock Horizon Treasury Securities, \$1,331,044 are held by the investments counterparty, not in the name of the district.

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due from/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Food Service	\$ 76,000
	Title I	65,774
	IDEA Part B	75,030
	Other governmental funds	21,290
		<u>238,094</u>
	Fiduciary funds	616
Total Funds		<u><u>\$ 238,710</u></u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	QSCB Fund	\$ 215,328
General fund	Other governmental funds	195,963
Food Service	General	76,000
General Fund	Vocational	350,608
Other governmental funds	General	222,815
Total funds		<u><u>\$ 1,060,714</u></u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balances of the QSCB retirement funds \$924,739 and \$406,305 respectively.

Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 5- Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Completed Construction	Balance 6/30/2015
Governmental Activities:					
<u>Non-Depreciable capital assets:</u>					
Land	\$ 388,811		-	-	388,811
Construction in progress	1,105,179	619,848	-	(1,683,599)	41,428
Total non-depreciable assets	1,493,990	619,848	-	(1,683,599)	430,239
<u>Depreciable capital assets:</u>					
Buildings	11,659,187	-	-	1,197,165	12,856,352
Building improvements	4,012,445	-	-	-	4,012,445
Improvements other than buildings	241,822	-	-	486,434	728,256
Mobile equipment	2,824,853	-	-	-	2,824,853
Furniture and equipment	773,249	73,383	(40,878)	-	805,754
Total depreciable capital assets	19,511,556	73,383	(40,878)	1,683,599	21,227,660
<u>Less accumulated depreciation:</u>					
Buildings	4,151,498	230,005	-	-	4,381,503
Building improvements	1,274,916	160,498	-	-	1,435,414
Improvements other than buildings	113,345	25,675	-	-	139,020
Mobile equipment	2,104,265	99,558	-	-	2,203,823
Furniture and equipment	576,163	61,728	(36,142)	-	601,749
Total accumulated depreciation	8,220,187	577,464	(36,142)	-	8,761,509
Total depreciable capital assets, net	11,291,369	(504,081)	(4,736)	1,683,599	12,466,151
Governmental activities capital assets, net	\$ 12,785,359	115,767	(4,736)	-	12,896,390

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 159,727
Support services	390,481
Non-instructional	27,256
Total depreciation expense	\$ 577,464

Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 6 - Long-term liabilities

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A Limited obligation bonds payable	\$ 1,695,000	-	325,000	1,370,000	340,000
B Qualified school construction bonds	6,000,000	-	-	6,000,000	-
C Compensated absences payable	191,917		1,152	190,765	-
	<u>\$ 7,886,917</u>	<u>-</u>	<u>326,152</u>	<u>7,560,765</u>	<u>340,000</u>

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding, Series 2008	2.2-3.60%	06/30/08	02/01/18	\$ 3,075,000	\$ 1,370,000
				<u>\$ 3,075,000</u>	<u>\$ 1,370,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 340,000	41,035	381,035
2017	350,000	29,638	379,638
2018	680,000	17,478	697,478
	<u>\$ 1,370,000</u>	<u>\$ 88,151</u>	<u>\$ 1,458,151</u>

This debt will be retired from the Bond Retirement fund.

Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 6 - Long-term liabilities (Continued)

B. Qualified school construction bonds payable (Continued)

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bonds	0.69%	12/29/09	9/15/24	\$ 3,000,000	3,000,000
2. Qualified school construction bonds	0.00%	10/1/12	10/1/25	3,000,000	3,000,000
Total				<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>

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

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

Year Ending June 30	Principal	Interest	Total
2016	\$ -	20,700	20,700
2017	-	20,700	20,700
2018	-	20,700	20,700
2019	-	20,700	20,700
2020	-	20,700	20,700
2021-2025	3,000,000	103,500	3,103,500
Total	<u>\$ 3,000,000</u>	<u>207,000</u>	<u>3,207,000</u>

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

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

Year Ending June 30	Principal	Interest	Total
2016	\$ -	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021-2025	-	-	-
2026	3,000,000	-	3,000,000
Total	<u>\$ 3,000,000</u>	<u>-</u>	<u>3,000,000</u>

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 6 - Long-term liabilities (Continued)

C. Qualified school construction bonds payable (Continued)

Total Qualified school construction bonds payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ -	20,700	20,700
2017	-	20,700	20,700
2018	-	20,700	20,700
2019	-	20,700	20,700
2020	-	20,700	20,700
2021-2025	3,000,000	103,500	3,103,500
2026	3,000,000		3,000,000
Total	<u>\$ 6,000,000</u>	<u>207,000</u>	<u>6,207,000</u>

D. Compensated absences payable

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

Note 7 - 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and requires 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

Note 7 - Defined Benefit Pension Plan (Continued)

creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years of the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employees 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, 2015, 2014 and 2013 were \$1,997,234, \$1,912,024 and \$1,808,340 respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$24,115,022, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's portion was .198671 percent.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

For the year ended June 30, 2015, the District recognized pension expense of \$1,306,385. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$376,187	-
Net difference between projected and actual earnings on pension plan investments	-	\$3,495,650
Changes of assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	908,590
District contributions subsequent to the measurement date	\$1,997,234	-
Total	<u>\$2,373,421</u>	<u>4,404,240</u>

\$1,997,234 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

Year ended June 30:

2016	\$ 1,065,424
2017	\$ 1,065,424
2018	\$ 1,065,424
2019	\$ 1,065,424
2020	\$ 142,544
Total	<u>\$ 4,404,240</u>

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 - 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Allocation</u>	<u>Rate of Return</u>
U. S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	<u>1</u>	(0.50)
Total	<u><u>100%</u></u>	

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The Projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to change in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$32,875,966	\$24,115,022	\$16,807,092

Note 8 – Prior period adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B- Statement of Assets

Explanation	Amount
Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$(28,748,714)
Deferred outflows – contributions made during fiscal year 2014	<u>1,912,024</u>
Total prior period adjustment related to GASB 68 and 71	<u>\$(26,836,690)</u>

Note 9 - Risk Management

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

Participation in Public Entity Risk Pool

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

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

Note 10 – Qualified School Construction Bonds

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The year-end June 30, 2015, subsidy payments amounted to \$22,482.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$924,739 and \$406,305 respectively. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedules report the annual deposits to be made to the sinking funds by the school district.

1. Qualified school construction bond issue of 2009	
Year Ending	
June 30	Amount
2016	\$ 208,000
2017	208,000
2018	209,000
2019	209,000
2020	209,000
2021-2025	1,045,000
Total	<u>\$ 2,088,000</u>

2. Qualified school construction bond issue of 2012	
June 30,	
	Amount
2016	\$200,000
2017	200,000
2018	200,000
2019	200,000
2020	200,000
2021-2025	1,000,000
2027-2028	600,000
	<u>\$2,600,000</u>

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

Union County School District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue:					
Local sources	\$ 4,987,807	5,281,807	5,281,807	294,000	-
State sources	14,048,443	14,074,239	14,074,239	25,796	-
Federal sources	150,259	148,184	148,184	(2,075)	-
Total revenues	19,186,509	19,504,230	19,504,230	317,721	-
Expenditures:					
Instruction	12,189,686	11,950,961	11,950,961	238,725	-
Support services	5,944,362	5,763,664	5,763,664	180,698	-
Noninstructional services	526,228	690,238	690,238	(164,010)	-
Facilities acquisition and construction	-	45,208	45,208	(45,208)	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	18,660,276	18,450,071	18,450,071	210,205	-
Excess (deficiency) of revenues over expenditures	526,233	1,054,159	1,054,159	527,926	-
Other Financing Sources (Uses):					
Insurance loss recoveries	10,000	2,710	2,710	(7,290)	-
Operating transfers in	53,000	83,487	298,815	30,487	215,328
Operating transfers out	(2,664,484)	(2,561,187)	(761,899)	103,297	1,799,288
Total other financing sources (uses)	(2,601,484)	(2,474,990)	(460,374)	126,494	2,014,616
Net change in fund balance	(2,075,251)	(1,420,831)	593,785	654,420	2,014,616
Fund Balance:					
July 1, 2014, as previously reported	3,721,986	3,721,986	3,721,983	-	(3)
June 30, 2015	\$ 1,646,735	\$ 2,301,155	\$ 4,315,768	\$ 654,420	\$ 2,014,613

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

Union County School District
Required Supplementary Information
Budgetary Comparison Schedule
Food Service Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue:					
Local sources	\$ 420,820	355,825	355,825	(64,995)	-
State sources	15,000	14,077	14,077	(923)	-
Federal sources	1,156,000	1,166,770	1,166,770	10,770	-
Total revenues	1,591,820	1,536,672	1,536,672	(55,148)	-
Expenditures:					
Instruction	-	-	-	-	-
Support services	114,020	108,442	108,442	5,578	-
Noninstructional services	1,424,095	1,395,131	1,395,129	28,964	2
Total expenditures	1,538,115	1,503,573	1,503,571	34,542	2
Excess (deficiency) of revenues over expenditures	53,705	33,099	33,101	(20,606)	2
Other Financing Sources (Uses):					
Operating transfers out	(50,000)	(76,000)	(76,000)	(26,000)	-
Total other financing sources (uses)	(50,000)	(76,000)	(76,000)	(26,000)	-
Net change in fund balance	3,705	(42,901)	(42,899)	(46,606)	2
Fund Balance:					
July 1, 2014	468,396	468,396	468,395	-	(1)
Increase(Decrease) in Reserve for Inventory	-	-	2,080	-	2,080
June 30, 2015	\$ 472,101	\$ 425,495	\$ 427,576	\$ (46,606)	\$ 2,081

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

UNION COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Title I Basic
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	485,346	535,957	535,957	50,611	-
Total revenues	485,346	535,957	535,957	50,611	-
Expenditures:					
Instruction	327,688	376,137	376,137	(48,449)	-
Support services	157,658	151,716	151,716	5,942	-
Noninstructional services	-	8,104	8,104	(8,104)	-
Debit Service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	485,346	535,957	535,957	(50,611)	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Net change in fund	-	-	-	-	-
Fund Balance:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	-	-	-	-

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

UNION COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

IDEA - Part B (SPED)

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	511,964	551,879	551,879	39,915	-
Total revenues	511,964	551,879	551,879	39,915	-
Expenditures:					
Instruction	377,773	370,224	370,224	7,549	-
Support services	166,453	181,655	181,655	(15,202)	-
Noninstructional services	1,000	-	-	1,000	-
Total expenditures	545,226	551,879	551,879	(6,653)	-
Excess (deficiency) of revenues over expenditures	(33,262)	-	-	33,262	-
Net change in fund balance	(33,262)	-	-	33,262	-
Fund Balance:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ (33,262)	-	-	33,262	-

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

UNION COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Vocational Education Basic
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local sources	-	-	-	-	-
State sources	81,000	92,592	92,592	11,592	-
Federal sources	-	-	-	-	-
Total revenues	81,000	92,592	92,592	11,592	-
Expenditures:					
Instruction	407,931	406,959	406,959	972	-
Support services	36,616	36,241	36,241	375	-
Noninstructional services	-	-	-	-	-
Total expenditures	444,547	443,200	443,200	1,347	-
Excess (deficiency) of revenues over expenditures	(363,547)	(350,608)	(350,608)	12,939	-
Other Financing Sources	-	350,608	350,608	350,608	-
Net change in fund balance	(363,547)	-	-	363,547	-
Fund Balance:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ (363,547)	\$ -	\$ -	\$ 363,547	\$ -

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

UNION COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
QSCB FY 13 Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local sources	\$ 10,000	20,481	20,481	10,481	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	10,000	20,481	20,481	10,481	-
Expenditures:					
Instruction	-	-	-	-	-
Support services	-	-	-	-	-
Noninstructional services	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	10,000	20,481	20,481	10,481	-
Other Financing Sources (Uses):					
Operating Transfer in	219,700	215,328	215,328	(4,372)	-
Other Financing uses	(22,000)	(22,482)	(22,482)	(482)	-
Total other financing sources (uses)	197,700	192,846	192,846	(4,854)	-
Net change in fund	207,700	213,327	213,327	5,627	-
Fund Balance:					
July 1, 2014	718,150	718,150	718,150	-	-
June 30, 2015	\$ 925,850	931,477	931,477	5,627	-

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

UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS
Last 10 Years

	<u>2015</u>
District's proportion of the net pension liability	.198671%
District's proportionate share of the net pension liability	\$24,115,022
District's covered-employee payroll	\$12,139,835
Districts proportionate share of the net pension liability as a percentages of it covered employee payroll	198.64%
Plan fiduciary net position as a percentage of the total pension liability	67.21%

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

UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
Last 10 Years

	<u>2015</u>
Contractually required contribution	\$ 1,997,234
Contractually in relation to the contractually required contribution	<u>\$ -1,997,234</u>
Contribution deficiency (excess)	\$ --
District's covered-employee payroll	12,680,849
Contributions as a percentage of covered employee payroll	15.75%

The amounts presented for each fiscal year were determined as of 6/30/15.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is Compiled, the District has only presented information for the years in which information is available.

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

**Union County School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2015**

Budgetary Comparison Schedule

1) Basis of Presentation

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

2) Budget Amendments and Revisions

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

Pension Schedules

1. Changes of Benefit Terms

None

2. Changes of assumptions

None

UNION COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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	\$ 321,431
National school lunch program	10.555	740,482
Total Child Nutrition Cluster		<u>1,061,913</u>
Total Passed-through MDE		<u>1,061,913</u>
Total U.S. Department of Agriculture		<u>1,061,913</u>
Federal Communications Commission		
Passed-through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	50,520
Total Federal Communications Commission		<u>50,520</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Rural education	84.358	49,208
Improving teacher quality - state grants	84.367	101,677
Total		<u>150,885</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	535,957
Total Title I cluster		<u>535,957</u>
Special Education Cluster		
Special education - grants to states	84.027	557,413
Special education - preschool grants	84.173	19,098
Total Special Education Cluster		<u>576,511</u>
Total Passed-through MDE		<u>1,263,353</u>
Total U.S. Department of Education		<u>1,263,353</u>
U. S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	27,467
Total passed-through Mississippi Department of Education		<u>27,467</u>
Total U. S. Department of Health and Human Services		<u>27,467</u>
Total for All Federal Awards		<u>\$ 2,403,263</u>

The notes to the Schedule of Federal Awards are an integral part of this schedule.

UNION COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

NOTES TO SCHEDULE

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

Union County School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds
June 30, 2015

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 17,239,591	13,321,298	868,517	1,250,137	1,799,639
Other	5,477,746	1,238,774	256,129	224,421	3,758,422
Total	<u>\$ 22,717,337</u>	<u>14,560,072</u>	<u>1,124,646</u>	<u>1,474,558</u>	<u>5,558,061</u>
Total Number of Students *	<u>2,761</u>				
Cost per Student	<u>\$ 8,227</u>	<u>5,273</u>	<u>407</u>	<u>534</u>	<u>2,013</u>

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

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

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

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

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

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

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

	UNAUDITED			
	2015	2014	2013	2012
Revenues:				
Local sources	\$ 5,281,807	\$ 4,855,450	\$ 4,506,097	\$ 4,141,941
State sources	14,074,239	13,019,130	12,678,930	12,462,758
Federal sources	148,184	142,749	136,249	222,335
Total revenues	<u>19,504,230</u>	<u>18,017,329</u>	<u>17,321,276</u>	<u>16,827,034</u>
Expenditures:				
Instruction	11,950,961	11,682,987	11,458,400	10,760,999
Support services	5,763,664	5,753,793	5,182,824	5,016,135
Noninstructional services	690,238	609,210	500,944	452,397
Facilities acquisition	45,208	2,000	49,600	128,963
Debt Service:				
Principal	-	50,026	176,950	156,113
Interest	-	608	6,891	12,409
Total expenditures	<u>18,450,071</u>	<u>18,098,624</u>	<u>17,375,609</u>	<u>16,527,016</u>
Excess (deficiency) of revenues over(under) expenditures	<u>1,054,159</u>	<u>(81,295)</u>	<u>(54,333)</u>	<u>300,018</u>
Other Financing Sources (Uses):				
Insurance loss recovery	2,710	30,110	14,476	8,080
Operating transfers in	298,815	87,088	299,871	77,738
Operating transfers out	(761,899)	(576,832)	(519,960)	(314,382)
Total other financing sources	<u>(460,374)</u>	<u>(459,634)</u>	<u>(205,613)</u>	<u>(228,564)</u>
Net change in fund balances	<u>593,785</u>	<u>(540,929)</u>	<u>(259,946)</u>	<u>71,454</u>
Fund balances:				
Beginning of period, as originally reported	3,721,983	4,262,912	4,483,034	4,412,277
Prior period adjustments	-	-	39,824	(697)
Beginning of period, as restated	<u>3,721,983</u>	<u>4,262,912</u>	<u>4,522,858</u>	<u>4,411,580</u>
End of period	<u>\$ 4,315,768</u>	<u>\$ 3,721,983</u>	<u>\$ 4,262,912</u>	<u>\$ 4,483,034</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

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

Revenues:	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Local sources	\$ 5,889,653	\$ 5,471,225	\$ 5,147,799	\$ 4,773,551
State sources	14,707,855	13,616,514	13,295,111	13,064,243
Federal sources	2,572,774	2,554,806	2,454,458	2,934,203
Total revenues	<u>23,170,282</u>	<u>21,642,545</u>	<u>20,897,368</u>	<u>20,771,997</u>
Expenditures:				
Instruction	13,285,986	12,958,893	12,628,607	12,239,245
Support services	6,339,344	6,400,975	5,835,815	5,700,440
Noninstructional services	2,093,471	2,106,609	1,917,461	1,879,337
Facilities acquisition and construction	619,848	1,107,179	1,213,063	497,304
Debt Service:				
Principal	325,000	370,026	486,950	456,113
Interest	51,831	83,602	100,141	116,072
Other	1,857	-	1,981	1,000
Total expenditures	<u>22,717,337</u>	<u>23,027,284</u>	<u>22,184,018</u>	<u>20,889,511</u>
Excess (deficiency) of revenues over(under) expenditures	<u>452,945</u>	<u>(1,384,739)</u>	<u>(1,286,650)</u>	<u>(117,514)</u>
Other Financing Sources (Uses):				
Proceeds of loans	-	-	3,000,000	-
Insurance loss recovery	2,710	30,110	14,476	8,080
Operating transfers in	1,060,714	883,580	819,831	392,120
Operating transfers out	(1,060,714)	(883,580)	(819,831)	(392,120)
Other financing uses	(22,482)	(3,005)	-	-
Total other financing sources	<u>(19,772)</u>	<u>27,105</u>	<u>3,014,476</u>	<u>8,080</u>
Net change in fund balances	<u>433,173</u>	<u>(1,357,634)</u>	<u>1,727,826</u>	<u>(109,434)</u>
Fund balances:				
Beginning of period, as originally reported	6,382,646	7,729,498	5,961,477	6,088,502
Prior period adjustments	-	-	39,824	(697)
Beginning of period, as restated	<u>6,382,646</u>	<u>7,729,498</u>	<u>6,001,301</u>	<u>6,087,805</u>
Increase(decrease) in reserve for inventory	<u>2,080</u>	<u>10,782</u>	<u>371</u>	<u>(16,894)</u>
End of period	<u>\$ 6,817,899</u>	<u>\$ 6,382,646</u>	<u>\$ 7,729,498</u>	<u>\$ 5,961,477</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS



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

Superintendent and School Board
Union County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Union County School District's basic financial statements, and have issued our report thereon dated March 9, 2016.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Pyrawater, Vanstony & Co. P.A.

Booneville, Mississippi
March 9, 2016



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

Superintendent and School Board
Union County School District

Report on Compliance for Each Major Federal Program

We have audited the Union County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Union County School District's major federal programs for the year ended June 30, 2015. The Union County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Union County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Parsons, Vanstony & Co. P.A.

Booneville, Mississippi
March 9, 2016



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

Superintendent and School Board
Union County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union County School District as of and for the year ended June 30, 2015, which collectively comprise Union County School District's basic financial statements and have issued our report thereon dated. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

Parawer, Venstary & Co. P.A.

Booneville, Mississippi
March 9, 2016

Union County School District
Schedule of findings and Questioned Costs
For the Year Ended June 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555
84.010

Child Nutrition Cluster
Title I Grants to Local Educational Agencies

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

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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