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**UNION COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

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, 2016, 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, 2016, 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 Schedule of District's Proportionate Share of Net Pension Liability and Schedule of District's Contributions on pages 47-48 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 accompanying supplementary information mentioned above 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 23, 2017, 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.

Braun, Vansterg & Co. P.A.

Booneville, Mississippi
March 23, 2017

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016. 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 2016 increased \$97,482 which represents a .69% increase from fiscal year 2015. Total net position for 2015 decreased \$25,268,568, including a prior period adjustment of (\$26,836,690), which represents a 224.79% decrease from 2014.
- General revenues amounted to \$18,857,164 and \$18,123,847, or 79.16% and 78.21% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,964,845 or 20.84% of the total revenues for 2016, and \$5,049,768 or 21.79% of the total revenues for 2015.
- The District had \$23,724,527 and \$21,605,493 in expenses for fiscal years 2016 and 2015; only \$4,964,845 for 2016 and \$5,049,768 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$18,857,164 for 2016 and \$18,123,847 for 2015 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$19,934,788 in revenues and \$20,385,652 in expenditures for 2016 and \$19,504,230 in revenues and \$18,450,071 in expenditures for 2015. The General Fund's fund balance increased by \$40,017 from 2015 to 2016 and increased by \$593,785 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, increased by \$877,266 for 2016 and \$111,031 for 2015. The increase for 2016 was primarily due to the purchase of buses and building improvements.
- Long-term debt increased by \$519,102 for 2016 and decreased by \$325,000 for 2015. The liability for compensated absences decreased by \$9,580 for 2016 and decreased by \$1,152 for 2015.

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, 2016**

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, pension expense 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 are reported using the accrual basis of accounting. The school District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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, 2016**

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 \$13,930,181 as of June 30, 2016.

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, 2016 and June 30, 2015.

**Table 1
Condensed Statement of Net Position**

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 5,939,600	\$ 5,798,240	2.44%
Restricted assets	1,736,548	1,331,044	30.47%
Capital assets, net	13,773,656	12,896,390	6.80%
Total assets	21,449,804	20,025,674	7.11%
Deferred Outflows of Resources	5,503,005	2,373,421	131.85%
Current liabilities	342,440	346,731	-1.24%
Long-term debt outstanding	8,070,287	7,560,765	6.74%
Net pension liability	31,376,241	24,115,022	30.11%
Total liabilities	39,788,968	32,022,518	24.25%
Deferred Inflows	1,094,022	4,404,240	-75.11%
Net position:			
Net investment on capital assets	5,884,554	5,526,390	6.48%
Restricted	5,325,494	4,381,463	21.55%
Unrestricted	(25,140,229)	(23,935,516)	-5.03%
Total net position	\$ (13,930,181)	\$ (14,027,663)	0.69%

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 \$877,266.

The principal retirement of \$386,139 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$23,822,009 and \$23,173,615, respectively. The total cost of all programs and services was \$23,724,527 for 2016 and \$21,605,493 for 2015.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,716,813	\$ 1,820,394	-5.69%
Operating grants and contributions	3,248,032	3,229,374	0.57%
General revenues:			
Property taxes	4,643,872	4,083,657	13.72%
Grants and contributions not restricted	14,172,075	13,959,154	1.53%
Investment earnings	38,217	25,872	47.72%
Other	3,000	55,164	-94.56%
Total revenues	\$ 23,822,009	\$ 23,173,615	2.80%
Expenses:			
Instruction	11,379,306	11,448,479	-0.60%
Support services	7,395,734	6,733,810	9.83%
Non-instructional	2,010,271	2,069,826	-2.88%
Pension Expense	2,892,512	1,306,385	121.49%
Interest and other expense on long-term liabilities	46,704	46,993	-0.61%
Total expenses	23,724,527	21,605,493	9.81%
Increase(decrease) in net position	97,482	1,568,122	-93.78%
Net Position, July 1, as previously reported	(14,027,663)	11,240,905	-224.79%
Prior Period Adjustments	-	(26,836,690)	100.00%
Net Position, July 1, as restated	(14,027,663)	(15,595,785)	10.05%
Net Position, June 30	\$ (13,930,181)	\$ (14,027,663)	0.69%

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.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 11,379,306	\$ 11,448,479	-0.60%
Support services	7,395,734	6,733,810	9.83%
Non-instructional	2,010,271	2,069,826	-2.88%
Pension Expense	2,892,512	1,306,385	121.41%
Interest on long-term liabilities	46,704	46,993	-0.61%
Total expenses	\$ 23,724,527	\$ 21,605,493	9.81%

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (8,654,990)	\$ (8,990,056)	-3.72%
Support services	(6,786,842)	(5,888,122)	15.26%
Non-instructional	(378,634)	(424,169)	-10.74%
Pension Expense	(2,892,512)	(1,306,385)	-121.41%
Interest on long-term liabilities	(46,704)	(46,993)	-0.61%
Total net (expense) revenue	\$ (18,759,682)	\$ (16,655,725)	-12.63%

• Net cost of governmental activities \$18,759,682 for 2016 and \$16,655,725 for 2015 was financed by general revenue, which is primarily made up of property taxes of (\$4,643,872 for 2016 and \$4,083,657 for 2015) and state and federal revenues of (\$14,172,075 for 2016 and \$13,959,154 for 2015).

• Investment earnings amounted to \$38,217 for 2016 and \$25,872 for 2015.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,374,733, an increase of \$556,834 including an increase in inventory of \$2,155. \$2,008,214 or 27.23% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The remaining fund balance of \$5,366,519 or 72.77% 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, 2016**

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 \$40,017. The fund balance of Other Governmental Funds showed an increase in the amount of \$290,334. 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	\$12,423
Title I Fund	no increase or decrease
IDEA - Part B Fund	no increase or decrease
Vocational Education Fund	no increase or decrease
QSCB 2009 Sinking Fund	\$214,060

- The fund balance of the School Food Service Fund included an increase in \$2,127 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, 2016, the District's total capital assets were \$22,961,915, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$1,304,016 from 2015. Total accumulated depreciation as of June 30, 2016, was \$9,188,259, and total depreciation expense for the year was \$675,080, resulting in total net capital assets of \$13,773,656.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 441,311	\$ 388,811	13.50%
Construction in progress	-	41,428	-100.00%
Buildings	8,275,833	8,474,849	-2.35%
Building improvements	2,416,533	2,577,031	-6.23%
Improvements other than buildings	1,065,416	589,236	80.81%
Mobile equipment	538,655	621,030	-13.26%
Furniture and equipment	225,285	204,005	10.43%
Leased Chrome Books	117,182	-	N/A
Leased Buses	693,441	-	N/A
Total	<u>\$ 13,773,656</u>	<u>\$ 12,896,390</u>	6.80%

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, 2016**

Debt Administration. At June 30, 2016, the District had \$8,070,287 in outstanding long-term debt, of which \$461,655 is due within one year. The liability for compensated absences decreased \$9,580 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,030,000	\$ 1,370,000	-24.82%
Qualified school construction bonds payable	6,000,000	6,000,000	0.00%
Compensated absences payable	181,185	190,765	-5.02%
Bus Purchases	775,039	-	N/A
Chrome Books	84,063	-	N/A
Total	<u>\$ 8,070,287</u>	<u>\$ 7,560,765</u>	6.74%

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, 2016

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,881,800
Restricted assets	1,736,548
Investments	2,231,326
Due from other governments	766,612
Accrued interest receivable	13,063
Other Receivables - Net	614
Inventories	46,185
Capital assets, non-depreciable:	
Land	441,311
Capital assets, net of accumulated depreciation:	
Buildings	8,275,833
Building improvements	2,416,533
Improvements other than buildings	1,065,416
Mobile equipment	538,655
Furniture and equipment	225,285
Leased property under capital lease chrome books	117,182
Leased property buses	693,441
Total assets	<u>21,449,804</u>
Deferred Outflows of Resources	
Pensions	<u>5,503,005</u>
Liabilities	
Accounts payable and accrued liabilities	301,415
Interest payable on long-term liabilities	41,025
Long-term liabilities, due within one year:	
Capital related liabilities	461,655
Long-term liabilities, due beyond one year:	
Capital related liabilities	7,427,447
Non-capital related liabilities	181,185
Net pension liability	31,376,241
Total liabilities	<u>39,788,968</u>
Deferred Inflow	
Pensions	<u>1,094,022</u>
Net Position	
Net investment in capital assets	5,884,554
Restricted for:	
Expendable:	
School based activities	3,353,095
Debt service	1,922,198
Unemployment benefits	50,201
Unrestricted	(25,140,229)
Total net position	<u>\$ (13,930,181)</u>

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

UNION COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

Net (Expense)
Revenue and
Changes in
Net Position

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 11,379,306	\$ 1,351,234	\$ 1,373,082	\$ -	\$ (8,654,990)
Support services	7,395,734	-	608,892	-	(6,786,842)
Noninstructional services	2,010,271	365,579	1,266,058	-	(378,634)
Pension expense	2,892,512	-	-	-	(2,892,512)
Interest on long-term debt	46,704	-	-	-	(46,704)
Total governmental activities	<u>\$ 23,724,527</u>	<u>\$ 1,716,813</u>	<u>\$ 3,248,032</u>	<u>\$ -</u>	<u>(18,759,682)</u>

General Revenues:

Taxes:

General purpose levies

4,255,733

Debt purpose levies

388,139

Unrestricted grants and contributions:

State

14,014,392

Federal

157,683

Unrestricted investment earnings

38,217

Other

3,000

Total general revenues

18,857,164

Change in net position

97,482

Net position - beginning

(14,027,663)

Net position - ending

\$ (13,930,181)

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

UNION COUNTY SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2016

EXHIBIT C

	Major Funds							
	General Fund	School Food Service Fund	Title I Fund	IDEA-Part B Fund	Vocational Education Fund	QSCB 2009 Sinking Fund	Other Governmental Funds	Total
Assets								
Cash and cash equivalents	\$ 1,926,246	\$ 473,814	\$ -	\$ -	\$ 94,369	\$ -	\$ 387,371	\$ 2,881,800
Cash with Fiscal Agents	-	-	-	-	-	1,137,327	599,221	1,736,548
Investments	2,000,000	-	-	-	-	-	231,326	2,231,326
Due from other governments	367,094	-	74,113	89,436	-	-	235,969	766,612
Accrued interest receivable	-	-	-	-	-	8,210	4,853	13,063
Due from other funds	269,491	-	-	-	-	-	-	269,491
Inventories	-	46,185	-	-	-	-	-	46,185
Total Assets	\$ 4,562,831	\$ 519,999	\$ 74,113	\$ 89,436	\$ 94,369	\$ 1,145,537	\$ 1,458,740	\$ 7,945,025
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 186,232	\$ -	\$ -	\$ -	\$ 94,369	\$ -	\$ -	\$ 280,601
Due to other funds	-	80,000	74,113	89,436	-	-	25,328	268,877
Other payables	20,814	-	-	-	-	-	-	20,814
Total liabilities	207,046	80,000	74,113	89,436	94,369		25,328	570,292
Fund Balances:								
Nonspendable:								
Inventory	-	46,185	-	-	-	-	-	46,185
Restricted for:								
Sinking Fund	-	-	-	-	-	-	213,612	213,612
Debt service funds	-	-	-	-	-	1,145,537	604,074	1,749,611
Food services	-	393,814	-	-	-	-	-	393,814
Grant activities	-	-	-	-	-	-	565,525	565,525
Unemployment benefits	-	-	-	-	-	-	50,201	50,201
Assigned:								
Activity funds	2,347,571	-	-	-	-	-	-	2,347,571
Unassigned:	2,008,214	-	-	-	-	-	-	2,008,214
Total fund balances	4,355,785	439,999	-	-	-	1,145,537	1,433,412	7,374,733
Total liabilities and fund balances	\$ 4,562,831	\$ 519,999	\$ 74,113	\$ 89,436	\$ 94,369	\$ 1,145,537	\$ 1,458,740	\$ 7,945,025

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, 2016

Total fund balances for governmental funds	\$	7,374,733
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land	441,311	
Buildings	12,887,973	
Building improvements	4,012,445	
Improvements other than buildings	1,251,022	
Mobile equipment	2,618,822	
Furniture and equipment	851,405	
Leased property chrome books	130,202	
Leased property buses	768,735	
Accumulated depreciation	<u>(9,188,259)</u>	13,773,656

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

Net pension liability		(31,376,241)
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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	5,503,005	
Deferred inflows of resources related to pension	<u>(1,094,022)</u>	4,408,983

- 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	(1,030,000)	
Qualified School Construction Bonds	(6,000,000)	
Compensated Absences	(181,185)	
Transportation Lease Payable	(775,039)	
Chrome Books Lease Payable	(84,063)	
Accrued Interest Payable	<u>(41,025)</u>	<u>(8,111,312)</u>

Net position of governmental activities	\$	<u>(13,930,181)</u>
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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, 2016

	Major Funds							
	General Fund	School Food Service Fund	Title I Fund	IDEA-Part B Fund	Vocational Education Fund	QSCB 2009 Sinking Fund	Other Governmental Funds	Total
Revenue:								
Local sources	\$ 5,368,605	\$ 365,579	\$ -	\$ -	\$ -	\$ 24,295	\$ 236,627	\$ 5,995,106
Intermediate	3,000	-	-	-	-	-	-	3,000
State sources	14,405,500	15,021	-	-	70,621	-	523,250	15,014,392
Federal sources	157,683	1,266,058	578,686	632,387	-	-	174,697	2,809,511
Total Revenues	19,934,788	1,646,658	578,686	632,387	70,621	24,295	934,574	23,822,009
Expenditures:								
Instruction	12,467,814	-	400,886	412,859	356,507	-	171,407	13,809,473
Support services	6,591,325	109,452	170,420	219,528	37,407	-	55,133	7,183,265
Noninstructional services	714,915	1,446,910	7,380	-	-	-	-	2,169,205
Facilities acquisition and construction	565,459	-	-	-	-	-	-	565,459
Debt service:								
Principal	46,139	-	-	-	-	-	340,000	386,139
Interest	-	-	-	-	-	-	41,025	41,025
Total Expenditures	20,385,652	1,556,362	578,686	632,387	393,914	-	607,565	24,154,566
Excess (Deficiency) of Revenues over (under) Expenditures	(450,864)	90,296	-	-	(323,293)	24,295	327,009	(332,557)
Other Financing Sources (Uses):								
Inception of Capital Lease	905,241	-	-	-	-	-	-	905,241
Insurance recovery	1,721	-	-	-	-	-	-	1,721
Sale of transportation equipment	5,652	-	-	-	-	-	-	5,652
Operating transfers in	295,726	-	-	-	323,293	212,777	181,417	1,013,213
Operating transfers out	(717,487)	(80,000)	-	-	-	-	(215,726)	(1,013,213)
Other	-	-	-	-	-	(23,012)	(2,366)	(25,378)
Total Other Financing Sources (Uses)	490,853	(80,000)	-	-	323,293	189,765	(36,675)	887,236
Net change in fund balances	39,989	10,296	-	-	-	214,060	290,334	554,679
Fund Balances:								
July 1, 2015, as previously reported	4,315,768	427,576	-	-	-	931,477	1,143,078	6,817,899
Increase(decrease)in reserve for inventory	28	2,127	-	-	-	-	-	2,155
June 30, 2016	\$ 4,355,785	\$ 439,999	\$ -	\$ -	\$ -	\$ 1,145,537	\$ 1,433,412	\$ 7,374,733

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, 2016

Net change in fund balances - total governmental funds \$ 554,679

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	\$ 2,290,105	
Depreciation expense	<u>(675,080)</u>	1,615,025

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.

(737,759)

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:

Proceeds from Capital Lease	(905,241)	
Payments of debt principal	386,139	
Accrued interest payable	<u>(5,679)</u>	(524,781)

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	(2,892,512)	
Contributions made after measurement date	<u>2,071,096</u>	(821,416)

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	9,580	
Change in inventory reserve	<u>2,155</u>	11,735

Rounding		<u>(1)</u>
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Change in net position of governmental activities		<u><u>\$ 97,482</u></u>
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The notes to the financial statements are an integral part of this statement.

**Union County School
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2016**

	Payroll Clearing	Accounts Payable	Agency Funds	Total Fiduciary Funds
Assets				
Cash and cash equivalents	\$ 786,369	\$ 74	\$ 95,521	\$ 881,964
Total Assets	\$ 786,369	\$ 74	\$ 95,521	\$ 881,964
Liabilities				
Accounts payable and accrued liabilities	\$ 785,829	\$ -	\$ -	\$ 785,829
Due to other funds	540	74	-	614
Due to student clubs	-	-	95,521	95,521
Total Liabilities	\$ 786,369	\$ 74	\$ 95,521	\$ 881,964

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, 2016

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the District's non-fiduciary assets deferred outflows, liabilities, and deferred inflows, 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, 2016**

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

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

QSCB 2009 Sinking Fund – This fund is used to account for the repayment of the District’s 2009 qualified school construction bonds.

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

The District’s fiduciary funds include the following:

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

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

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016**

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, 2016**

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, 2016

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 \$1,736,548.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016**

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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of the school district relate to pensions.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of the school district relate to pensions.

See note 12 for further details.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016**

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.

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

(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, 2016

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, 2016**

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,113,126 (which includes \$2,231,326) of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$881,964, 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. 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. 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, 2016, none of the District's bank balance of \$6,780,294 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,736,548.

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016**

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

Investments

As of June 30, 2016, 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>\$ 2,231,326</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, \$1,736,548, of underlying securities 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, 2016**

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	School Food Service Fund	\$ 80,000
	Title I Fund	74,113
	IDEA Part B Fund	89,436
	Other governmental funds	25,328
		<u>268,877</u>
	Fiduciary funds	614
Total Funds		<u><u>\$ 269,491</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 2009 Sinking Fund	\$ 212,777
General fund	Other Governmental Fund	181,417
School Food Service Fund	General Fund	80,000
General Fund	Vocational Education Fund	323,293
Other governmental funds	General Fund	215,726
Total funds		<u><u>\$ 1,013,213</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 with fiscal agent balances, totaling \$1,137,327 and \$599,221 respectively of the QSCB Bond Retirement Funds.

Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 5- Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Completed Construction	Balance 6/30/2016
Governmental Activities:					
<u>Non-Depreciable capital assets:</u>					
Land	\$ 388,811	52,500	-	-	\$ 441,311
Construction in progress	41,428	-	(41,428)	-	-
Total non-depreciable assets	<u>430,239</u>	<u>52,500</u>	<u>(41,428)</u>	<u>-</u>	<u>441,311</u>
<u>Depreciable capital assets:</u>					
Buildings	12,856,352	31,621	-	-	12,887,973
Building improvements	4,012,445	-	-	-	4,012,445
Improvements other than buildings	728,256	481,338	41,428	-	1,251,022
Mobile equipment	2,824,853	716,441	(922,472)	-	2,618,822
Furniture and equipment	805,754	109,268	(63,617)	-	851,405
Leased property Chrome Books	-	130,202	-	-	130,202
Leased properties (buses) capital lease	-	768,735	-	-	768,735
Total depreciable capital assets	<u>21,227,660</u>	<u>2,237,605</u>	<u>(944,661)</u>	<u>-</u>	<u>22,520,604</u>
<u>Less accumulated depreciation:</u>					
Buildings	4,381,503	230,637	-	-	4,612,140
Building improvements	1,435,414	160,498	-	-	1,595,912
Improvements other than buildings	139,020	46,586	-	-	185,606
Mobile equipment	2,203,823	83,181	(206,837)	-	2,080,167
Furniture and equipment	601,749	65,864	(41,493)	-	626,120
Leased property chrome books	-	13,020	-	-	13,020
Leased property Buses	-	75,294	-	-	75,294
Total accumulated depreciation	<u>8,761,509</u>	<u>675,080</u>	<u>(248,330)</u>	<u>-</u>	<u>9,188,259</u>
Total depreciable capital assets, net	<u>\$ 12,466,151</u>	<u>1,562,525</u>	<u>(696,331)</u>	<u>-</u>	<u>\$ 13,332,345</u>
Governmental activities capital assets, net	<u>\$ 12,896,390</u>	<u>1,615,025</u>	<u>(737,759)</u>	<u>-</u>	<u>\$ 13,773,656</u>

Depreciation expense was charged to the following governmental functions:

Instruction	\$ 171,495
Support services	437,721
Non-instructional	<u>65,864</u>
Total Depreciation Expense	<u>\$ 675,080</u>
Capital assets disposed	<u>737,759</u>

Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 6 - Long-term liabilities

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A Limited obligation bonds payable	\$ 1,370,000	-	340,000	1,030,000	350,000
B Qualified school construction bonds	6,000,000	-	-	6,000,000	-
C Bus Lease Payable	-	775,039	-	775,039	70,936
D Chrome Books Lease Payable	-	130,202	46,139	84,063	40,719
E Compensated absences payable	190,765	-	9,580	181,185	-
	<u>\$ 7,560,765</u>	<u>\$ 905,241</u>	<u>\$ 395,719</u>	<u>\$ 8,070,287</u>	<u>\$ 461,655</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	\$ 1,030,000
				<u>\$ 3,075,000</u>	<u>\$ 1,030,000</u>

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

Limited obligation bond issue of 6/30/2008

Year Ending June 30	Principal	Interest	Total
2017	350,000	29,638	379,638
2018	680,000	17,478	697,478
	<u>\$ 1,030,000</u>	<u>\$ 47,116</u>	<u>\$ 1,077,116</u>

This debt will be retired from the Bond Retirement fund.

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

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016**

Note 6 - Long-term liabilities (Continued)

B. Qualified school construction bonds payable

As more fully explained in Note 10, debt has been issued by the School District that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

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
2017	\$ -	20,700	20,700
2018	-	20,700	20,700
2019	-	20,700	20,700
2020	-	20,700	20,700
2021	-	20,700	20,700
2022-2025	3,000,000	82,800	3,082,800
Total	<u>\$ 3,000,000</u>	<u>186,300</u>	<u>3,186,300</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
2017	\$ -	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	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, 2016

Note 6 - Long-term liabilities (Continued)

B. Qualified school construction bonds payable (Continued)

Total Qualified school construction bonds payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ -	20,700	20,700
2018	-	20,700	20,700
2019	-	20,700	20,700
2020	-	20,700	20,700
2021	-	20,700	20,700
2022-2026	6,000,000	82,800	6,082,800
Total	<u>\$ 6,000,000</u>	<u>186,300</u>	<u>6,186,300</u>

C. Bus Lease Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Bus Lease Payable	2.00%	7/7/2015	7/7/2025	\$ 775,039	\$ 775,039

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

Obligations under transportation lease issue of 7/7/2015

Year Ending June 30	Principal	Interest	Total
2017	\$ 70,936	15,535	86,471
2018	72,355	14,116	86,471
2019	73,802	12,669	86,471
2020	75,278	11,193	86,471
2021	76,784	9,687	86,471
2022-2026	405,884	24,777	430,661
	<u>\$ 775,039</u>	<u>87,977</u>	<u>863,016</u>

Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 6 - Long-term liabilities (Continued)

D. Chrome Books Lease Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Chrome Books	0	10/15	10/17	\$ 130,202	\$ 84,063

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

Obligations under Chrome book lease issue of 10/2015

Year Ending June 30	Principal	Interest	Total
2017	40,719	-	40,719
2018	43,344	-	43,344
	<u>\$ 84,063</u>	<u>-</u>	<u>84,063</u>

E. Compensated absences payable

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

Note 7 - 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, 2016**

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, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015, and 2014 were \$2,071,096, \$1,997,234 and \$1,912,024, 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, 2016, the school district reported a liability of \$31,376,241 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 0.202977 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.004306% from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,892,512. At June 30, 2016 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	\$ 728,953	\$ -
Net difference between projected and actual earnings on pension plan investments	-	842,715
Changes of assumptions	2,702,956	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	251,307
District contributions subsequent to the measurement date	2,071,096	-
Total	<u>\$ 5,503,005</u>	<u>\$ 1,094,022</u>

**Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016**

Note 7 - Defined Benefit Pension Plan (Continued)

\$2,071,096 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, 2017. 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:

2017	\$ 783,225
2018	752,810
2019	342,891
2020	458,961
2021	-
Total	<u>\$ 2,337,887</u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 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:

Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 7 - Defined Benefit Pension Plan (Continued)

<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 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the net pension liability	41,356,761	31,376,241	23,094,277

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 8 – Contingencies

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

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

Note 9 – Risk Management

The school is exposed to various risks of loss related 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 71 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, 2016

Note 10 – Qualified School Construction Bonds (Continued)

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. For the year ended June 30, 2016, the subsidy payments amounted to \$23,012.

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 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, 2016 was \$1,137,327 and \$599,221, 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 bonds issue of 12/29/2009

1. Qualified school construction bond issue
issue of 2009

Year Ending June 30	Amount
2017	\$ 208,000
2018	209,000
2019	209,000
2020	209,000
2021	209,000
2022-2025	836,000
	-
Total	<u>\$ 1,880,000</u>

2. Qualified school construction bond
issue of 2012

Year Ending June 30	Amount
2017	\$ 200,000
2018	200,000
2019	200,000
2020	200,000
2021	200,000
2022-2026	1,000,000
2027-2028	400,000
	<u>\$ 2,400,000</u>

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

Note 11 – Insurance Loss Recoveries

The Union County School District received \$1,721 in insurance loss recoveries related to lightning damage to equipment during the 2015-2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as [charges for services] and allocated 100 percent in the amount of \$1,721 to Instruction.

Union County School District
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 12 – Effects of Deferred Amounts on Net Position

The unrestricted net position amount of (\$25,140,229) includes the effect of deferring the recognition of expenses resulting from the deferred outflow from pensions. The \$5,503,005 balance of deferred outflows of resources at June 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$25,140,229) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$1,094,022 balance of deferred inflow of resources at June 30, 2016 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

Please reference Note 7 for details on amortization of deferred outflows/inflows related to pensions.

Note 13 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Union County School District evaluated the activity of the District for potential recognition and disclosure through March 23, 2017 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements. No adjustments were considered necessary to the financial statements.

UNION COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue:					
Local sources	\$ 5,153,554	5,368,605	5,368,605	215,051	-
Intermediate	\$ -	3,000	3,000	3,000	-
State sources	14,483,144	14,405,500	14,405,500	(77,644)	-
Federal sources	139,485	157,683	157,683	18,198	-
Total revenues	19,776,183	19,934,788	19,934,788	158,605	-
Expenditures:					
Instruction	12,243,285	12,467,814	12,467,814	(224,529)	-
Support services	6,022,741	6,593,021	6,591,325	(570,280)	1,696
Noninstructional services	617,251	714,915	714,915	(97,664)	-
Facilities acquisition	433,490	565,459	565,459	(131,969)	-
Principal	-	46,139	46,139	(46,139)	-
Total Expenditures	19,316,767	20,387,348	20,385,652	(1,070,581)	1,696
Excess (deficiency) of revenues over expenditures	459,416	(452,560)	(450,864)	(911,976)	1,696
Other Financing Sources (Uses):					
Operating Transfer in	93,500	82,948	295,726	(10,552)	212,778
Operating Transfer out	(2,583,083)	(2,610,564)	(717,487)	(27,481)	1,893,077
Inception Capital Lease	-	906,937	905,241	906,937	(1,696)
Insurance Recovery	2,500	1,721	1,721	(779)	-
Sale of Transportation Equipment	-	5,652	5,652	5,652	-
Total Other Financing Sources (Uses)	(2,487,083)	(1,613,306)	490,853	873,777	2,104,159
Net change in fund balance	(2,027,667)	(2,065,866)	39,989	(38,199)	2,105,855
Fund Balance:					
July 1, 2015	4,315,768	4,315,768	4,315,768	-	-
Prior Period Adjustment	-	28	28	28	-
June 30, 2016	\$ 2,288,101	\$ 2,249,930	\$ 4,355,785	\$ (38,171)	\$ 2,105,855

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, 2016

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue:					
Local sources	\$ 375,020	365,579	365,579	(9,441)	-
State sources	15,000	15,021	15,021	21	-
Federal sources	1,190,000	1,266,058	1,266,058	76,058	-
Total revenues	<u>1,580,020</u>	<u>1,646,658</u>	<u>1,646,658</u>	<u>66,638</u>	<u>-</u>
Expenditures:					
Support services	114,739	109,452	109,452	5,287	-
Noninstructional services	<u>1,379,098</u>	<u>1,446,910</u>	<u>1,446,910</u>	<u>(67,812)</u>	<u>-</u>
Total expenditures	<u>1,493,837</u>	<u>1,556,362</u>	<u>1,556,362</u>	<u>(62,525)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>86,183</u>	<u>90,296</u>	<u>90,296</u>	<u>4,113</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating Transfer out	<u>(85,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>5,000</u>	<u>-</u>
Total other financing sources (uses)	<u>(85,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>5,000</u>	<u>-</u>
Net change in fund balance	<u>1,183</u>	<u>10,296</u>	<u>10,296</u>	<u>9,113</u>	<u>-</u>
Fund Balance:					
July 1, 2015	<u>427,576</u>	<u>427,576</u>	<u>427,576</u>	<u>-</u>	<u>-</u>
Increase in Reserve for Inventory	<u>-</u>	<u>-</u>	<u>2,127</u>	<u>-</u>	<u>2,127</u>
June 30, 2016	<u>\$ 428,759</u>	<u>\$ 437,872</u>	<u>\$ 439,999</u>	<u>\$ 9,113</u>	<u>\$ 2,127</u>

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 Fund
For the Year Ended June 30, 2016

	Bugeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Orginal	Final		Original to Final	Final to Actual
Revenue					
Federal sources	485,350	578,686	578,686	93,336	-
Total revenues	485,350	578,686	578,686	93,336	-
Expenditures:					
Instruction	314,340	400,886	400,886	(86,546)	-
Support services	165,753	170,420	170,420	(4,667)	-
Noninstructional services	5,257	7,380	7,380	(2,123)	-
Total expenditures	485,350	578,686	578,686	(93,336)	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Operating Transfer in					
Other Financing uses					
Total other financing sources (uses)					
Net change in fund balance	-	-	-	-	-
Fund Balance:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2016

	Bugeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenue					
State sources	-	-	-	-	-
Federal sources	546,672	632,387	632,387	85,715	
Total revenues	546,672	632,387	632,387	85,715	-
Expenditures:					
Instruction	356,942	412,860	412,859	(55,918)	1
Support services	188,730	219,527	219,528	(30,797)	(1)
Noninstructional services	1,000	-	-	1,000	-
Total expenditures	546,672	632,387	632,387	(85,715)	-
Excess (deficiency) of revenues over expenditures					
	-	-	-	-	-
Other Financing Sources (Uses):					
Operating Transfer in	-	-	-	-	-
Other Financing uses	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance					
	-	-	-	-	-
Fund Balance:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2016

	Bugeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Orginal	Final		Original to Final	Final to Actual
Revenue					
Local sources	-	-	-	-	-
State sources	71,000	70,621	70,621	(379)	-
Federal sources	-	-	-	-	-
Total revenues	<u>71,000</u>	<u>70,621</u>	<u>70,621</u>	<u>(379)</u>	<u>-</u>
Expenditures:					
Instruction	388,374	356,507	356,507	31,867	-
Support services	37,735	37,407	37,407	328	-
Noninstructional services	-	-	-	-	-
Total expenditures	<u>426,109</u>	<u>393,914</u>	<u>393,914</u>	<u>32,195</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(355,109)</u>	<u>(323,293)</u>	<u>(323,293)</u>	<u>31,816</u>	<u>-</u>
Transfer In	<u>-</u>	<u>-</u>	<u>323,293</u>	<u>-</u>	<u>323,293</u>
Net change in fund balance	<u>(355,109)</u>	<u>(323,293)</u>	<u>-</u>	<u>31,816</u>	<u>323,293</u>
Fund Balance:					
July 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2016	<u>\$ (355,109)</u>	<u>\$ (323,293)</u>	<u>\$ -</u>	<u>\$ 31,816</u>	<u>\$ 323,293</u>

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 Sinking Fund 2009
For the Year Ended June 30, 2016

	Bugeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Orginal	Final		Original to Final	Final to Actual
Revenue					
Local sources	\$ 15,000	24,295	24,295	9,295	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total revenues	<u>15,000</u>	<u>24,295</u>	<u>24,295</u>	<u>9,295</u>	<u>-</u>
Expenditures:					
Instruction	-	-	-	-	-
Support services	-	-	-	-	-
Noninstructional services	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>15,000</u>	<u>24,295</u>	<u>24,295</u>	<u>9,295</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating Transfer in	216,000	212,777	212,777	(3,223)	-
Other Financing uses	(22,500)	(23,012)	(23,012)	(512)	-
Total other financing sources (uses)	<u>193,500</u>	<u>189,765</u>	<u>189,765</u>	<u>(3,735)</u>	<u>-</u>
Net change in fund balance	<u>208,500</u>	<u>214,060</u>	<u>214,060</u>	<u>5,560</u>	<u>-</u>
Fund Balance:					
July 1, 2015	<u>931,477</u>	<u>931,477</u>	<u>931,477</u>	<u>-</u>	<u>-</u>
June 30, 2016	<u>\$ 1,139,977</u>	<u>\$ 1,145,537</u>	<u>\$ 1,145,537</u>	<u>\$ 5,560</u>	<u>\$ -</u>

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>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.202977%	0.198671%
District's proportionate share of the net pension liability	\$ 31,376,241	\$ 24,115,022
District's covered-employee payroll	12,680,849	12,139,835
Districts proportionate share of the net pension liability as a percentages of it covered employee payroll	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

*The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

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
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
Last 10 Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,071,096	\$ 1,997,234
Contractually in relation to the contractually required contribution	<u>\$ 2,071,096</u>	<u>\$ (1,997,234)</u>
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	13,149,816	12,680,849
Contributions as a percentage of covered employee payroll	15.75%	15.75%

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, 2016

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) Change of assumptions.

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

UNION COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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	\$ 425,911
National school lunch program	10.555	806,641
Total Child Nutrition Cluster		<u>1,232,552</u>
Total Passed-through MDE		<u>1,232,552</u>
Total U.S. Department of Agriculture		<u>1,232,552</u>
Federal Communications Commission		
Passed-through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	117,035
Total Federal Communications Commission		<u>117,035</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Rural education	84.358	58,467
Improving teacher quality - state grants	84.367	98,751
Total		<u>157,218</u>
 Title I cluster:		
Title I grants to local educational agencies	84.010	578,676
Total Title I cluster		<u>578,676</u>
 Special Education Cluster		
Special education - grants to states	84.027	632,387
Special education - preschool grants	84.173	17,480
Total Special Education Cluster		<u>649,867</u>
Total Passed-through MDE		<u>1,385,761</u>
Total U.S. Department of Education		<u>1,385,761</u>
Total for All Federal Awards		<u>\$ 2,735,348</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, 2016

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, 2016

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 17,379,572	13,382,270	868,979	1,260,019	1,868,304
Other	6,774,994	1,532,526	316,865	277,638	4,647,965
Total	<u>\$ 24,154,566</u>	<u>14,914,796</u>	<u>1,185,844</u>	<u>1,537,657</u>	<u>6,516,269</u>
Total Number of Students *	<u>2,806</u>				
Cost per Student	<u>\$ 8,608</u>	<u>5,315</u>	<u>423</u>	<u>548</u>	<u>2,322</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			
	2016	2015 *	2014 *	2013 *
Revenues:				
Local sources	\$ 5,368,605	\$ 5,281,807	\$ 4,855,450	\$ 4,506,097
Intermediate	3,000	-	-	-
State sources	14,405,500	14,074,239	13,019,130	12,678,930
Federal sources	157,683	148,184	142,749	136,249
Total revenues	<u>19,934,788</u>	<u>19,504,230</u>	<u>18,017,329</u>	<u>17,321,276</u>
Expenditures:				
Instruction	12,467,814	11,950,961	11,682,987	11,458,400
Support services	6,591,325	5,763,664	5,753,793	5,182,824
Noninstructional services	714,915	690,238	609,210	500,944
Facilities acquisition	565,459	45,208	2,000	49,600
Debt Service:				
Principal	46,139	-	50,026	176,950
Interest	-	-	608	6,891
Total expenditures	<u>20,385,652</u>	<u>18,450,071</u>	<u>18,098,624</u>	<u>17,375,609</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(450,864)</u>	<u>1,054,159</u>	<u>(81,295)</u>	<u>(54,333)</u>
Other Financing Sources (Uses):				
Inception of Capital Lease	905,241	-	-	-
Insurance loss recovery	1,721	2,710	30,110	14,476
Sale of Transportation Equipment	5,652	-	-	-
Operating transfers in	295,726	298,815	87,088	299,871
Operating transfers out	(717,487)	(761,899)	(576,832)	(519,960)
Total other financing sources	<u>490,853</u>	<u>(460,374)</u>	<u>(459,634)</u>	<u>(205,613)</u>
Net change in fund balances	<u>39,989</u>	<u>593,785</u>	<u>(540,929)</u>	<u>(259,946)</u>
Fund balances:				
Beginning of period, as originally reported	4,315,768	3,721,983	4,262,912	4,483,034
Inventory Change (Food)	28	-	-	-
Prior period adjustments	-	-	-	39,824
Beginning of period, as restated	<u>4,315,796</u>	<u>3,721,983</u>	<u>4,262,912</u>	<u>4,522,858</u>
End of period	<u>\$ 4,355,785</u>	<u>\$ 4,315,768</u>	<u>\$ 3,721,983</u>	<u>\$ 4,262,912</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:	2016	2015 *	2014 *	2013 *
Local sources	\$ 5,995,106	\$ 5,889,653	\$ 5,471,225	\$ 5,147,799
Intermediate	3,000	-	-	-
State sources	15,014,392	14,707,855	13,616,514	13,295,111
Federal sources	2,809,511	2,572,774	2,554,806	2,454,458
Total revenues	<u>23,822,009</u>	<u>23,170,282</u>	<u>21,642,545</u>	<u>20,897,368</u>
Expenditures:				
Instruction	13,809,473	13,285,986	12,958,893	12,628,607
Support services	7,183,265	6,339,344	6,400,975	5,835,815
Noninstructional services	2,169,205	2,093,471	2,106,609	1,917,461
Facilities acquisition and construction	565,459	619,848	1,107,179	1,213,063
Debt Service:				
Principal	386,139	325,000	370,026	486,950
Interest	41,025	51,831	83,602	100,141
Other	-	1,857	-	1,981
Total expenditures	<u>24,154,566</u>	<u>22,717,337</u>	<u>23,027,284</u>	<u>22,184,018</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(332,557)</u>	<u>452,945</u>	<u>(1,384,739)</u>	<u>(1,286,650)</u>
Other Financing Sources (Uses):				
Inception of Capital Lease	905,241	-	-	-
Proceeds of loans	-	-	-	3,000,000
Insurance loss recovery	1,721	2,710	30,110	14,476
Sale of Transportation Equipment	5,652	-	-	-
Operating transfers in	1,013,213	1,060,714	883,580	819,831
Operating transfers out	(1,013,213)	(1,060,714)	(883,580)	(819,831)
Other financing uses	(25,378)	(22,482)	(3,005)	-
Total other financing sources	<u>887,236</u>	<u>(19,772)</u>	<u>27,105</u>	<u>3,014,476</u>
Net change in fund balances	<u>554,679</u>	<u>433,173</u>	<u>(1,357,634)</u>	<u>1,727,826</u>
Fund balances:				
Beginning of period, as originally reported	6,817,899	6,382,646	7,729,498	5,961,477
Prior period adjustments	-	-	-	39,824
Beginning of period, as restated	<u>6,817,899</u>	<u>6,382,646</u>	<u>7,729,498</u>	<u>6,001,301</u>
Increase(decrease) in reserve for inventory	<u>2,155</u>	<u>2,080</u>	<u>10,782</u>	<u>371</u>
End of period	<u>\$ 7,374,733</u>	<u>\$ 6,817,899</u>	<u>\$ 6,382,646</u>	<u>\$ 7,729,498</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, 2016, 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 23, 2017.

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. Accordingly, we do not express 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 charged 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.

Brown, Venetian & Co. P.A.

Booneville, Mississippi
March 23, 2017



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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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 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, 2016. 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 the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Union County 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 Union County School District's compliance.

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, 2016.

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 the Uniform Guidance, 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. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Parawer, Vansterg & Co. P.A

Booneville, Mississippi
March 23, 2017



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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, 2016, 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, federal awarding agencies, the Office of the State Auditor, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

P. Browner, Vansterg & Co. P.A.

Booneville, Mississippi
March 23, 2017

**Union County School District
Schedule of findings and Questioned Costs
For the Year Ended June 30, 2016**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|----------------------------------------------------------|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 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: | Unmodified |
| 6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | 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: | \$750,000 |
| 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.