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UNION PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2020

Charles L. Shivers, CPA, LLC
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Union Public School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Public School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Union Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Public School District, as of June 30, 2020, 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, budgetary comparison information, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability and Schedule of District Contributions (OPEB) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 my 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, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 30, 2021, on my consideration of the Union Public School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Union Public School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union Public School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
July 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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UNION PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

The following discussion and analysis of Union Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2020. 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 2020 decreased \$38,899, which represents a 1% decrease from fiscal year 2019. Total net position for 2019 decreased \$249,627, which represents a 6% decrease from fiscal year 2018.
- General revenues amounted to \$7,385,685 and \$6,961,262, or 77% and 81% of all revenues for fiscal years 2020 and 2019, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,191,670, or 23% of total revenues for 2020, and \$1,625,326, or 19% of total revenues for 2019.
- The District had \$9,616,254 and \$8,836,215 in expenses for fiscal years 2020 and 2019; only \$2,191,670 for 2020 and \$1,625,326 for 2019 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,385,685 for 2020 and \$6,961,262 for 2019 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$7,230,033 in revenues and \$7,016,464 in expenditures for 2020, and \$6,903,264 in revenues and \$6,828,872 in expenditures in 2019. The General Fund's fund balance increased by \$339,027 from 2019 to 2020, and increased by \$110,943 from 2018 to 2019.
- Capital assets, net of accumulated depreciation, decreased by \$56,495 for 2020 and decreased by \$128,584 for 2019. The decrease for 2020 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$43,147 for 2020 and decreased by \$41,816 for 2019. This decrease for 2020 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$853 for 2020 and increased by \$1,184 for 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support

services, non-instructional, sixteenth section, pension expense, OPEB 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 funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on 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, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) 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 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,528,466 as of June 30, 2020.

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

Table 1 presents a summary of the District's net position at June 30, 2020 and June 30, 2019.

Table 1
Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	Percentage Change
Current assets	\$ 5,549,614	\$ 5,144,780	7.87 %
Restricted assets	435,517	442,282	(1.53) %
Capital assets, net	3,349,754	3,406,249	(1.66) %
Total assets	9,334,885	8,993,311	3.80 %
 Deferred outflows of resources	 1,122,051	 808,931	 38.71 %
Current liabilities	657,967	563,990	16.66 %
Long-term debt outstanding	733,879	777,026	(5.55) %
Net OPEB liability	883,428	764,102	15.62 %
Net pension liability	12,493,291	11,762,671	6.21 %
Total liabilities	14,768,565	13,867,789	6.50 %
 Deferred inflows of resources	 216,837	 424,020	 (48.86) %
 Net position:			
Net investment in capital assets	3,117,754	3,133,249	(0.49) %
Restricted	380,227	415,162	(8.41) %
Unrestricted	(8,026,447)	(8,037,978)	0.14 %
Total net position	\$ (4,528,466)	\$ (4,489,567)	(0.87) %

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions and OPEB, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (8,026,447)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	12,471,505
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 4,445,058</u>

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

- Decrease in net capital assets in the amount of \$56,495.
- The principal retirement of \$44,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2020 and June 30, 2019 were \$9,577,355 and \$8,586,588, respectively. The total cost of all programs and services was \$9,616,254 for 2020 and \$8,836,215 for 2019.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2020</u>	<u>Year Ended</u> <u>June 30, 2019</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 300,102	\$ 312,733	(4.04) %
Operating grants and contributions	1,891,568	1,312,593	44.11 %
General revenues:			
Property taxes	1,401,091	1,133,404	23.62 %
Grants and contributions not restricted	5,728,776	5,744,548	(0.27) %
Investment earnings	85,972	51,132	68.14 %
Sixteenth section sources	166,770	31,183	434.81 %
Other	3,076	995	209.15 %
Total revenues	<u>9,577,355</u>	<u>8,586,588</u>	11.54 %
Expenses:			
Instruction	5,184,659	4,591,350	12.92 %
Support services	2,553,870	2,711,679	(5.82) %
Non-instructional	594,654	446,075	33.31 %
Sixteenth section	5,664	4,646	21.91 %
Pension expense	1,198,742	1,019,960	17.53 %
OPEB expense	53,188	33,528	58.64 %
Interest on long-term liabilities	25,477	28,977	(12.08) %
Total expenses	<u>9,616,254</u>	<u>8,836,215</u>	8.83 %
Increase (Decrease) in net position	<u>(38,899)</u>	<u>(249,627)</u>	84.42 %
Net Position, July 1	<u>(4,489,567)</u>	<u>(4,239,940)</u>	(5.89) %
Net Position, June 30	<u>\$ (4,528,466)</u>	<u>\$ (4,489,567)</u>	(0.87) %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2020	2019	Change
Instruction	\$ 5,184,659	\$ 4,591,350	12.92 %
Support services	2,553,870	2,711,679	(5.82) %
Non-instructional	594,654	446,075	33.31 %
Sixteenth section	5,664	4,646	21.91 %
Pension Expense	1,198,742	1,019,960	17.53 %
OPEB Expense	53,188	33,528	58.64 %
Interest on long-term liabilities	25,477	28,977	(12.08) %
Total expenses	\$ 9,616,254	\$ 8,836,215	8.83 %

	Net (Expense) Revenue		Percentage
	2020	2019	Change
Instruction	\$ (4,172,920)	\$ (3,920,992)	(6.43) %
Support services	(2,143,930)	(2,439,927)	12.13 %
Non-instructional	175,337	237,141	(26.06) %
Sixteenth section	(5,664)	(4,646)	(21.91) %
Pension Expense	(1,198,742)	(1,019,960)	(17.53) %
OPEB Expense	(53,188)	(33,528)	(58.64) %
Interest on long-term liabilities	(25,477)	(28,977)	12.08 %
Total net (expense) revenue	\$ (7,424,584)	\$ (7,210,889)	(2.96) %

- Net cost of governmental activities (\$7,424,584 for 2020 and \$7,210,889 for 2019) was financed by general revenue, which is primarily made up of property taxes (\$1,401,091 for 2020 and \$1,133,404 for 2019) and state and federal revenues (\$5,728,776 for 2020 and \$5,744,548 for 2019). In addition, there was \$166,770 and \$31,183 in Sixteenth Section sources for 2020 and 2019, respectively.
- Investment earnings amounted to \$85,972 for 2020 and \$51,132 for 2019.

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 \$5,340,626, an increase of \$303,306, which includes a decrease in inventory of \$2,509. \$2,765,006 or 52% 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 \$2,575,620 or 48% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$339,027. The fund balance of Other Governmental Funds showed a decrease in the amount of \$35,721, which includes a decrease in reserve for inventory of \$2,509.

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 is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2020, the District's total capital assets were \$7,021,354, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$66,313 from 2019. Total accumulated depreciation as of June 30, 2020, was \$3,671,600, and total depreciation expense for the year was \$206,061, resulting in total net capital assets of \$3,349,754.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Land	\$ 118,180	\$ 118,180	0.00 %
Buildings	2,265,290	2,332,708	(2.89) %
Building improvements	28,129	53,267	(47.19) %
Improvements other than buildings	447,999	471,102	(4.90) %
Mobile equipment	344,855	327,505	5.30 %
Furniture and equipment	145,301	103,487	40.41 %
Total	\$ 3,349,754	\$ 3,406,249	(1.66) %

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

Debt Administration. At June 30, 2020, the District had \$733,879 in outstanding long-term debt, of which \$50,470 is due within one year. The liability for compensated absences increased \$853 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Percentage Change</u>
Three mill notes payable	678,000	722,000	(6.09) %
Compensated absences payable	55,879	55,026	1.55 %
Total	\$ 733,879	\$ 777,026	(5.55) %

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

CURRENT ISSUES

The Union Public School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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UNION PUBLIC SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,221,939
Due from other governments	315,613
Accrued interest receivable	4,442
Inventories	7,620
Restricted assets (Note 4)	435,517
Non-depreciable capital assets (Note 5)	118,180
Depreciable capital assets, net (Note 5)	3,231,574
Total Assets	9,334,885
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	984,412
Deferred outflow - OPEB (Note 8)	137,639
Total Deferred Outflows of Resources	1,122,051
Liabilities	
Accounts payable and accrued liabilities	644,423
Interest payable on long-term liabilities	13,462
Other payables	82
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	43,000
Non-capital related liabilities	7,470
Net OPEB liability (Note 8)	33,209
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	189,000
Non-capital related liabilities	494,409
Net OPEB liability (Note 8)	850,219
Net pension liability (Note 7)	12,493,291
Total Liabilities	14,768,565
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 7)	146,628
Deferred inflows - OPEB (Note 8)	70,209
Total Deferred Inflows of Resources	216,837
Net Position	
Net investment in capital assets	3,117,754
Restricted net position	
Expendable	
School-based activities	176,740
Debt service	105,748
Forestry improvements	73,046
Unemployment benefits	22,068
Non-expendable	
Sixteenth section	2,625
Unrestricted	(8,026,447)
Total Net Position	\$ (4,528,466)

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

UNION PUBLIC SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2020

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 5,184,659	195,522	816,217	(4,172,920)
Support services	2,553,870		409,940	(2,143,930)
Non-instructional	594,654	104,580	665,411	175,337
Sixteenth section	5,664			(5,664)
Pension expense	1,198,742			(1,198,742)
OPEB expense	53,188			(53,188)
Interest on long-term liabilities	25,477			(25,477)
Total Governmental Activities	<u>9,616,254</u>	<u>300,102</u>	<u>1,891,568</u>	<u>(7,424,584)</u>
General Revenues				
Taxes				
General purpose levies				1,358,322
Debt purpose levies				42,769
Unrestricted grants and contributions				
State				5,700,040
Federal				28,736
Unrestricted investment earnings				85,972
Sixteenth section sources				166,770
Other				3,076
Total General Revenues				<u>7,385,685</u>
Changes in Net Position				<u>(38,899)</u>
Net Position - Beginning				<u>(4,489,567)</u>
Net Position - Ending				\$ <u>(4,528,466)</u>

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

UNION PUBLIC SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2020

Exhibit C

	Major Funds	Other Governmental Funds	Total Governmental Funds
	General Fund		
Assets			
Cash and cash equivalents (Note 2)	\$ 5,221,939	435,517	5,657,456
Due from other governments	96,387	219,226	315,613
Accrued interest receivable	4,442		4,442
Due from other funds (Note 3)	107,618		107,618
Inventories		7,620	7,620
Total Assets	5,430,386	662,363	6,092,749
Liabilities and Fund Balances			
Liabilities			
Accounts payable & accrued liabilities	483,449	160,974	644,423
Due to other funds (Note 3)		107,618	107,618
Other payables		82	82
Total Liabilities	483,449	268,674	752,123
Fund Balances			
Nonspendable			
Inventory		7,620	7,620
Permanent fund principal		2,625	2,625
Restricted			
Debt service		119,210	119,210
Forestry improvements		73,046	73,046
Unemployment benefits		22,068	22,068
Grant activities		169,120	169,120
Assigned			
School activities	192,201		192,201
Facility additions and renovations	1,989,730		1,989,730
Unassigned	2,765,006		2,765,006
Total Fund Balances	4,946,937	393,689	5,340,626
Total Liabilities and Fund Balances	\$ 5,430,386	662,363	6,092,749

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

UNION PUBLIC SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 5,340,626
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	118,180	
Buildings	4,223,529	
Building improvements	318,878	
Improvement other than buildings	1,038,941	
Mobile equipment	994,743	
Furniture and equipment	327,083	
Accumulated depreciation	<u>(3,671,600)</u>	3,349,754
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		(12,493,291)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	984,412	
Deferred inflows of resources related to pensions	<u>(146,628)</u>	837,784
Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net OPEB liability		(883,428)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	137,639	
Deferred inflows of resources related to OPEB	<u>(70,209)</u>	67,430
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Notes payable	(678,000)	
Compensated absences	(55,879)	
Accrued interest payable	<u>(13,462)</u>	<u>(747,341)</u>
Total Net Position - Governmental Activities		<u>\$ (4,528,466)</u>

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

UNION PUBLIC SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2020

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 1,337,303	157,182	1,494,485
State sources	5,700,040	635,666	6,335,706
Federal sources	28,736	1,548,582	1,577,318
Sixteenth section sources	163,954	2,816	166,770
Total Revenues	<u>7,230,033</u>	<u>2,344,246</u>	<u>9,574,279</u>
Expenditures			
Instruction	4,657,241	1,028,700	5,685,941
Support services	2,356,074	449,660	2,805,734
Noninstructional services	199	703,739	703,938
Sixteenth section	2,950	2,714	5,664
Debt service			
Principal (Note 6)		44,000	44,000
Interest		26,263	26,263
Total Expenditures	<u>7,016,464</u>	<u>2,255,076</u>	<u>9,271,540</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>213,569</u>	<u>89,170</u>	<u>302,739</u>
Other Financing Sources (Uses)			
Sale of transportation equipment	2,060		2,060
Sale of other property		1,016	1,016
Operating transfers in (Note 3)	146,040	22,642	168,682
Operating transfers out (Note 3)	(22,642)	(146,040)	(168,682)
Total Other Financing Sources (Uses)	<u>125,458</u>	<u>(122,382)</u>	<u>3,076</u>
Net Change in Fund Balances	<u>339,027</u>	<u>(33,212)</u>	<u>305,815</u>
Fund Balances			
July 1, 2019	4,607,910	429,410	5,037,320
Increase (Decrease) in reserve for inventory		(2,509)	(2,509)
June 30, 2020	<u>\$ 4,946,937</u>	<u>393,689</u>	<u>5,340,626</u>

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

UNION PUBLIC SCHOOL DISTRICT

Exhibit D-1

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, 2020

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds	\$	305,815
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:		
Capital outlay	157,869	
Depreciation expense	<u>(206,061)</u>	(48,192)
In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
		(8,303)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	44,000	
Accrued interest payable	<u>786</u>	44,786
Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Pension expense	(1,198,742)	
Contributions made subsequent to the measurement date	<u>889,078</u>	(309,664)
Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
OPEB expense	(53,188)	
Contributions made subsequent to the measurement date	<u>33,209</u>	(19,979)
Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	(853)	
Change in inventory reserve	<u>(2,509)</u>	(3,362)
Changes in Net Position of Governmental Activities	\$	<u>(38,899)</u>

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

UNION PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2020

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 2)	\$ 8,161	83,517
Due from other funds (Note 3)		854
Total Assets	8,161	84,371
Liabilities		
Accounts payable and accrued liabilities		5,640
Due to other funds (Note 3)		854
Due to student clubs	148	77,877
Total Liabilities	148	84,371
Net Position		
Reserved for endowments	8,013	
Total Net Position	\$ 8,013	

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

UNION PUBLIC SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

Exhibit F

	Private-Purpose Trust Funds
Additions	<u>\$ 0</u>
Deductions	<u>0</u>
Changes in Net Position	<u>0</u>
Net Position	
July 1, 2019	<u>8,013</u>
June 30, 2020	<u>\$ 8,013</u>

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

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Union since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the District's non-fiduciary assets, 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.

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:

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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.

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 school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

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

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

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

Scholarship Fund - This fund is used to provide scholarships to students.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

1. Cash and Cash equivalents

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.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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 are classified as restricted assets on the Statement of Net Position because their use is limited by applicable legal restrictions, e.g. debt service funds, special revenue funds and the nonexpendable portion of the Permanent Fund.

6. Capital Assets

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

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

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

	Capitalization Policy	Estimated Useful Life
Furniture and equipment	5,000	3-7 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows are directly related to pension reporting and OPEB reporting.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting and OPEB reporting.

8. Compensated Absences

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

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

9. Long-term Liabilities

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

10. Pensions

For purposes 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. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

12. 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.

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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

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

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

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

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

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

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

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

13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

Note 2 – Cash and Cash Equivalents

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

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

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,657,456 and \$91,678, 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.

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	Other governmental funds	\$ 107,618
Fiduciary funds	Fiduciary funds	854
Total		<u>\$ 108,472</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 22,642
Other governmental funds	General Fund	146,040
Total		<u>\$ 168,682</u>

The transfer out of the General Fund was for the purpose of funding the vocational program in the Other Governmental Funds. The transfers from the Other Governmental Funds was for indirect cost and year end closing entries.

Note 4 – Restricted Assets

The restricted assets balance of \$435,517 represents the cash balances of certain special revenue funds, debt service funds and the sixteenth section principal fund. These cash balances are legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 118,180			118,180
Total non-depreciable capital assets	118,180	0	0	118,180
<u>Depreciable capital assets:</u>				
Buildings	4,223,529			4,223,529
Building improvements	318,878			318,878
Improvements other than buildings	1,038,941			1,038,941
Mobile equipment	1,002,169	74,655	(82,081)	994,743
Furniture and equipment	253,344	83,214	(9,475)	327,083
Total depreciable capital assets	6,836,861	157,869	(91,556)	6,903,174
<u>Less accumulated depreciation for:</u>				
Buildings	1,890,821	67,418		1,958,239
Building improvements	265,611	25,138		290,749
Improvements other than buildings	567,839	23,103		590,942
Mobile equipment	674,664	49,097	(73,873)	649,888
Furniture and equipment	149,857	41,305	(9,380)	181,782
Total accumulated depreciation	3,548,792	206,061	(83,253)	3,671,600
Total depreciable capital assets, net	3,288,069	(48,192)	(8,303)	3,231,574
Governmental activities capital assets, net	\$ 3,406,249	(48,192)	(8,303)	3,349,754

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 84,451
Support services	93,174
Non-instructional	28,436
Total depreciation expense - Governmental activities	\$ 206,061

Note 6 – Long-term Liabilities

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

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amounts due within one year
A. Three mill notes payable	\$ 722,000		44,000	678,000	46,000
B. Compensated absences payable	55,026	853		55,879	4,470
Total	\$ 777,026	853	\$ 44,000	733,879	50,470

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
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A. Three mill notes payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill notes, series 2016-A	3.77	12/19/2016	12/19/2031	\$ 457,000	446,000
2. Three mill notes, series 2016-B	3.67	12/19/2016	12/19/2024	350,000	232,000
Total				<u>\$ 807,000</u>	<u>678,000</u>

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

1. Three mill note, series 2016-A:

Year Ending June 30	Principal	Interest	Total
2021	\$ 3,000	16,814	19,814
2022	3,000	16,701	19,701
2023	4,000	16,588	20,588
2024	3,000	16,437	19,437
2025	3,000	16,324	19,324
2026 – 2030	296,000	59,566	355,566
2031 – 2032	134,000	7,616	141,616
Total	<u>\$ 446,000</u>	<u>150,046</u>	<u>596,046</u>

This debt will be retired from the 2016 Series A Note Retirement Fund (Debt Service Fund).

2. Three mill note, series 2016-B:

Year Ending June 30	Principal	Interest	Total
2021	\$ 43,000	8,515	51,515
2022	45,000	6,936	51,936
2023	46,000	5,285	51,285
2024	48,000	3,597	51,597
2025	50,000	1,835	51,835
Total	<u>\$ 232,000</u>	<u>26,168</u>	<u>258,168</u>

This debt will be retired from the 2016 Series A Note Retirement Fund (Debt Service Fund).

Total three mill notes for all issues:

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Year Ending June 30	Principal	Interest	Total
2021	\$ 46,000	25,329	71,329
2022	48,000	23,637	71,637
2023	50,000	21,873	71,873
2024	51,000	20,034	71,034
2025	53,000	18,159	71,159
2026 – 2030	296,000	59,566	355,566
2031 – 2032	134,000	7,616	141,616
Total	<u>\$ 678,000</u>	<u>176,214</u>	<u>854,214</u>

This debt is partially secured by an irrevocable pledge of building and bus fund revenues (\$30,975) the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972).

B. 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

General Information about the 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 required supplementary information. That report is available at www.pers.ms.gov.

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 became 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 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 or 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.

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, 2020 was 17.40% of annual covered payroll. Plan

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

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, 2020, 2019 and 2018 were \$889,078, \$728,457 and \$711,285, 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, 2020, the school district reported a liability of \$12,493,291 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2020 net pension liability was .071017 percent, which was based on a measurement date of June 30, 2019. This was an increase .000298 percent from its proportionate share used to calculate the June 30, 2019 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,198,742. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,425	\$ 9,871
Net difference between projected and actual earnings on pension plan investments	0	109,346
Changes of assumptions	89,909	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	27,411
District contributions subsequent to the measurement date	889,078	0
Total	<u>\$ 984,412</u>	<u>\$ 146,628</u>

\$889,078 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, 2021. 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 Ending June 30:	
2021	(7,425)
2022	(7,425)
2023	(9,108)
2024	(27,338)

Actuarial assumptions. The total pension liability as of June 30, 2019 was determined by actuarial valuation prepared as of June 30, 2018. Subsequent to the June 30, 2018 valuation, the Board adopted new actuarial assumptions based on the experience investigation for the four-year period ending June 30, 2018. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.00-18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		1.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.25	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). 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 members. 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 changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 16,422,864	\$ 12,493,291	\$ 9,249,782

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
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Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$33,209 for the year ended June 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2020, the District reported a liability of \$883,428 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2019, the District's proportion was .10411146 percent. This was an increase of .00533287 percent from the proportionate share as of the measurement date of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$53,188. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,336	\$ 12,645
Changes of assumptions	65,862	45,810
Net difference between projected and actual earnings on OPEB plan investments	17	0
Changes in proportion and differences between District contributions and proportionate share of contributions	37,215	11,754
District contributions subsequent to the measurement date	33,209	0
Total	<u>\$ 137,639</u>	<u>\$ 70,209</u>

UNION PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2020

\$33,209 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2021	2,796
2022	2,796
2023	2,796
2024	5,012
2025	14,122
Thereafter	6,699

Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00-18.20 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Year FNP is projected to be depleted	
Measurement Date	2019
Prior Measurement Date	2018
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.50%
Prior Measurement Date	3.89%
Health Care Cost Trends	
Medicare Supplement Claims	7.00 percent for 2019 decreasing to an ultimate rate of 4.75% by 2028
Pre-Medicare	

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2019 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.50 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50%.

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2019, the trust has \$1,017,904. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2018 and the June 30, 2019 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2019 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 981,335	\$ 883,428	\$ 799,660

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 818,633	\$ 883,428	\$ 956,831

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2021	\$ 12,518
2022	12,031
2023	11,718
2024	11,718
2025	9,995
2026 – 2030	17,741
2031 – 2035	15,506
2036 – 2040	7,693
2041 – 2045	30,370
Total	<u>\$ 129,290</u>

UNION PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2020

Note 10 – Contingencies

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

Note 11 – Risk Management

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

Note 12 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$8,026,447) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$889,078 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The \$95,334 balance of deferred outflow of resources related to pensions, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$8,026,447) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$146,628 balance of deferred inflow of resources related to pensions, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$8,026,447) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$33,209 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The \$104,430 balance of deferred outflow of resources related to OPEB, at June 30, 2020 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$8,026,447) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$70,209 balance of deferred inflow of resources related to OPEB, at June 30, 2020 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 13 – State Compliance Testing

The Mississippi Office of the State Auditor (OSA) has elected to perform procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the School District's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>.

Note 14 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through July 30, 2021, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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UNION PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 1,389,759	1,337,303	1,337,303	(52,456)	0
State sources	5,827,948	5,700,040	5,700,040	(127,908)	0
Federal sources	59,560	28,736	28,736	(30,824)	0
Sixteenth section sources	15,600	163,954	163,954	148,354	0
Total Revenues	7,292,867	7,230,033	7,230,033	(62,834)	0
Expenditures					
Instruction	4,733,020	4,657,241	4,657,241	75,779	0
Support services	2,680,892	2,356,074	2,356,074	324,818	0
Noninstructional services	46,284	199	199	46,085	0
Sixteenth section	7,150	2,950	2,950	4,200	0
Total Expenditures	7,467,346	7,016,464	7,016,464	450,882	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(174,479)	213,569	213,569	388,048	0
Other Financing Sources (Uses)					
Sale of transportation equipment	2,060	2,060	2,060	0	0
Operating transfers in	690,769	825,190	146,040	134,421	(679,150)
Operating transfers out	(698,538)	(701,792)	(22,642)	(3,254)	679,150
Total Other Financing Sources (Uses)	(5,709)	125,458	125,458	131,167	0
Net Change in Fund Balances			339,027		
Fund Balances					
July 1, 2019			4,607,910		
June 30, 2020			\$ 4,946,937		

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

UNION PUBLIC SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.071017%	0.070719%	0.070901%	0.071083%	0.068973%	0.0665070%
District's proportionate share of the net pension liability	\$ 12,493,291	11,762,671	11,786,153	12,697,199	10,661,865	8,011,192
District's covered payroll	\$ 4,625,124	4,516,095	4,548,324	4,547,340	4,309,053	4,063,923
District's proportionate share of the net pension liability as a percentage of its covered payroll	270.12%	260.46%	259.13%	279.22%	247.43%	197.13%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%

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

* 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 the 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.

UNION PUBLIC SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 889,078	\$728,457	\$711,285	\$716,361	\$716,206	\$678,678
Contributions in relation to the contractually required contribution	889,078	\$728,457	\$711,285	\$716,361	\$716,206	\$678,678
Contribution deficiency (excess)	0	\$0	\$0	\$0	\$0	\$0
District's covered payroll	\$ 5,109,644	\$4,625,124	\$4,516,095	\$4,548,324	\$4,547,340	\$4,309,067
Contributions as a percentage of covered payroll	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 68 was implemented in the 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.

UNION PUBLIC SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
OPEB
Last 10 Fiscal Years *

	2020	2019	2018
District's proportion of the net OPEB liability	0.10411146%	0.09877859%	0.10079109%
District's proportionate share of the net OPEB liability	\$ 883,428	764,102	790,816
Covered employee payroll	\$ 4,625,124	4,516,095	4,548,324
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	19.10%	16.92%	17.39%
Plan fiduciary net position as a percentage of the total OPEB liability	0.12%	0.13%	0.00%

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

* 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, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

UNION PUBLIC SCHOOL DISTRICT
Schedule of District Contributions
OPEB
Last 10 Fiscal Years

	2020	2019	2018
Actuarially determined contribution	\$ 33,209	35,411	33,714
Contributions in relation to the actuarially determined contribution	33,209	35,411	33,714
Contribution deficiency (excess)	0	0	0
Covered employee payroll	\$ 5,109,644	4,625,124	4,516,095
Contributions as a percentage of covered employee payroll	0.65%	0.77%	0.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement 75 was implemented in the FYE 6-30-18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

UNION PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85%

UNION PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

UNION PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

2018: None

2019: None

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2018 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.25%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	3.89%

SUPPLEMENTARY INFORMATION

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UNION PUBLIC SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	205MS326N1099	\$ 240,219
National school lunch program	10.555	205MS326N1099	409,414
Summer food service program for children	10.559	205MS326N1099	101,276
Total child nutrition cluster			<u>750,909</u>
Child nutrition discretionary grants limited availability	10.579	*	35,352
Fresh fruits and vegetable program	10.582	205MS326L1603	31,797
Total passed-through Mississippi Department of Education			<u>67,149</u>
Total U.S. Department of Agriculture			<u>818,058</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I - grants to local educational agencies	84.010	S010A190024	302,086
Twenty first century community learning centers	84.287	S287C190024	329,483
Rural education	84.358	S358B190024	20,723
Supporting effective instruction - state grants	84.367	S367A190023	7,835
Education stabilization fund (ESSER)	84.425	S425D200031	1,652
Total			<u>661,779</u>
Special education cluster:			
Special education - grants to states	84.027	H027A190108	212,827
Special education - preschool grants	84.173	H173A190113	6,452
Total special education cluster			<u>219,279</u>
Total passed-through Mississippi Department of Education			<u>881,058</u>
Total U.S. Department of Education			<u>881,058</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	2005MS5ADM	14,312
Total passed-through Mississippi Department of Education			<u>14,312</u>
Total U.S. Department of Health and Human Services			<u>14,312</u>
Total for All Federal Awards			<u>\$ 1,713,428</u>

* Pass through numbers have not been provided by the Mississippi Department of Education

The notes to the Supplementary Information are an integral part of this schedule.

UNION PUBLIC SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2020

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Noncash Awards

Donated commodities of \$39,513 are included in the National School Lunch Program.

(5) Other Items

For each federal grant passed through the Mississippi Department of Education, the school district has elected to use the pass-through entity identifying number as provided by the Mississippi Department of Education for the most recent and significant grant year.

UNION PUBLIC SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2020

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,086,831	5,705,302	427,425	452,317	501,787
Other	<u>2,184,709</u>	<u>706,969</u>	<u>138,927</u>	<u>11,869</u>	<u>1,326,944</u>
Total	<u>9,271,540</u>	<u>6,412,271</u>	<u>566,352</u>	<u>464,186</u>	<u>1,828,731</u>
 Total number of students	 <u>889</u>				
 Cost per student	 <u>\$ 10,429</u>	 <u>7,213</u>	 <u>637</u>	 <u>522</u>	 <u>2,057</u>

Notes to the schedule.

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.

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

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OTHER INFORMATION

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

	UNAUDITED			
	2020	2019*	2018*	2017*
Revenues				
Local sources	\$ 1,337,303	1,319,887	1,209,812	1,205,763
State sources	5,700,040	5,494,091	5,488,547	5,419,690
Federal sources	28,736	58,104	72,243	102,946
Sixteenth section sources	163,954	31,182	33,937	16,464
Total Revenues	<u>7,230,033</u>	<u>6,903,264</u>	<u>6,804,539</u>	<u>6,744,863</u>
Expenditures				
Instruction	4,657,241	4,376,722	4,199,486	4,145,675
Support services	2,356,074	2,436,463	2,250,923	2,360,471
Noninstructional services	199	12,638	0	0
Sixteenth section	2,950	3,049	5,194	7,132
Total Expenditures	<u>7,016,464</u>	<u>6,828,872</u>	<u>6,455,603</u>	<u>6,513,278</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>213,569</u>	<u>74,392</u>	<u>348,936</u>	<u>231,585</u>
Other Financing Sources (Uses)				
Sale of transportation equipment	2,060	1,289	0	0
Operating transfers in	146,040	36,574	40,990	45,719
Operating transfers out	(22,642)	(1,018)	(16,640)	(94,648)
Other financing uses	0	(294)	0	0
Total Other Financing Sources (Uses)	<u>125,458</u>	<u>36,551</u>	<u>24,350</u>	<u>(48,929)</u>
Net Change in Fund Balances	<u>339,027</u>	<u>110,943</u>	<u>373,286</u>	<u>182,656</u>
Fund Balances:				
Beginning of period	<u>4,607,910</u>	<u>4,496,967</u>	<u>4,123,681</u>	<u>3,941,025</u>
End of period	<u>\$ 4,946,937</u>	<u>4,607,910</u>	<u>4,496,967</u>	<u>4,123,681</u>

* Source - Prior year audit reports.

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

	UNAUDITED			
	2020	2019*	2018*	2017*
Revenues				
Local sources	\$ 1,494,485	1,497,272	1,400,532	1,390,647
State sources	6,335,706	5,904,457	5,865,850	5,691,746
Federal sources	1,577,318	1,150,595	1,032,819	1,031,768
Sixteenth section sources	166,770	33,269	34,117	16,649
Total Revenues	<u>9,574,279</u>	<u>8,585,593</u>	<u>8,333,318</u>	<u>8,130,810</u>
Expenditures				
Instruction	5,685,941	4,993,243	4,821,875	4,644,699
Support services	2,805,734	2,847,708	3,020,366	2,929,418
Noninstructional services	703,938	544,369	530,104	520,613
Sixteenth section	5,664	4,646	6,869	9,912
Debt service				
Principal	44,000	43,000	42,000	112,000
Interest	26,263	29,814	29,573	6,742
Other	0	0	0	8,722
Total Expenditures	<u>9,271,540</u>	<u>8,462,780</u>	<u>8,450,787</u>	<u>8,232,106</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>302,739</u>	<u>122,813</u>	<u>(117,469)</u>	<u>(101,296)</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	807,000
Sale of transportation equipment	2,060	1,289	0	0
Sale of other property	1,016	0	0	0
Operating transfers in	168,682	37,592	57,630	140,367
Operating transfers out	(168,682)	(37,592)	(57,630)	(140,367)
Other financing uses	0	(294)	0	0
Total Other Financing Sources (Uses)	<u>3,076</u>	<u>995</u>	<u>0</u>	<u>807,000</u>
Net Change in Fund Balances	<u>305,815</u>	<u>123,808</u>	<u>(117,469)</u>	<u>705,704</u>
Fund Balances:				
Beginning of period	5,037,320	4,911,396	5,035,728	4,330,817
Increase (Decrease) in reserve for inventory	<u>(2,509)</u>	<u>2,116</u>	<u>(6,863)</u>	<u>(793)</u>
End of period	<u>\$ 5,340,626</u>	<u>5,037,320</u>	<u>4,911,396</u>	<u>5,035,728</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Superintendent and School Board
Union Public School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Public School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Union Public School District's basic financial statements, and have issued my report thereon dated July 30, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Union Public School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union Public School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Union Public School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
July 30, 2021

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Union Public School District

Report on Compliance for Each Major Federal Program

I have audited Union Public School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Union Public School District's major federal programs for the year ended June 30, 2020. Union Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In my opinion, Union Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Union Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Union Public School District's internal control over compliance with the types of requirements that could have a direct

and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Union Public School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

Charles L Shivers, CPA, LLC

Charles L. Shivers, CPA, LLC
Ridgeland, MS
July 30, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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UNION PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 4. | Prior fiscal year financial audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 7. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 8. | Federal program identified as major program: | |
| | Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| 9. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 10. | Auditee qualified as a low-risk auditee? | No |
| 11. | Prior fiscal year federal award audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | No |

Section II: Financial Statement Findings

The results of my tests did not disclose any findings related to the financial statements that are required to be reported under the *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

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

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