Union City Community Schools

Financial Statements
Year Ended June 30, 2008

FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Union City Community Schools

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FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.
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Report of Independent Accountants

Board of Education
Union City Community Schools

We have audited the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Union City Community Schools, Union City, Michigan as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union City Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union City Community Schools, Union City, Michigan as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 26, 2008, on our consideration of Union City Community Schools, Union City, Michigan, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union City Community Schools, Union City, Michigan, basic financial statements. The required supplemental information and other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fisher Spiegel Kunkle & Gerber, PLLC

FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.

Battle Creek, Michigan
September 26, 2008

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

This Section of Union City Community Schools district's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2008.

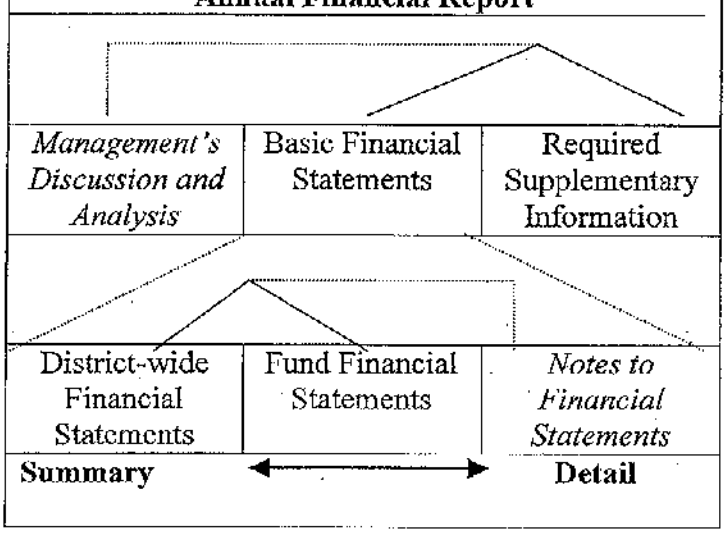
FINANCIAL HIGHLIGHTS

- The District's financial status remained stable, total net assets increased slightly over the course of the year. The overall net assets increased by $21,399.
- District wide Revenues were $11,088,101 which is a decrease of $1,988,481 (or 15 percent) over last year's revenues. Last year's District wide revenue included the recognition of $1,858,094 due to the completion of the field house. Expenses were $11,066,702 which is an increase of $675,563 (or 6.5 percent over last year's expenses.)
- Enrollment decreased from 1,166.03 to 1,147.30 (18.73 or 1.6 percent) blended count.
- The District decreased its outstanding long-term debt by $438,699, or 18.1 percent.
- The total cost of basic programs was $6,220,640.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

Figure A-1
Organization of Union City Community Schools Annual Financial Report



- The first two statements are *district-wide financial statements* that provide both *short term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular education and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others (student groups).

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2
Major Features of District-Wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district which are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Union City Community Schools funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid (foundation allowance) finance the greater share of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its more significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statement, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets – The District's *combined* net assets were increased in fiscal year 2008 by $21,399 or .2 percent to $9,435,111. (See Tables A-3 and A-4)

The overall District financial position held stable this year.

Table A-3
Statement of Net Assets

	2008 Governmental Activities
Current and other assets	$2,774,242
Capital assets net of depreciation	9,701,547
Total Assets	**$12,475,789**
Current liabilities	$1,828,413
Long term liabilities	1,212,265
Total Liabilities	$3,040,678
Net assets	
Invested in capital assets, net of related debt	$8,057,547
Restricted for debt service	1,585
Unrestricted	1,375,979
Total Net Assets	$9,435,111
Total Liabilities and Net Assets	**$12,475,789**

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Table A-4 Statement of Activities – Changes in Net Assets	
Revenues	
Program revenues	
Charges for services	$ 756,214
Federal and state categorical grants	1,644,887
General revenues	
Property taxes	1,089,488
State aid – unrestricted	7,421,490
Other	176,022
Total Revenues	**$ 11,088,101**
Expenses	
Instruction	$ 6,220,640
Support services	3,686,699
Community services	4,596
Food services	396,230
Athletics	297,715
Interest on long-term debt	127,246
Other	15,280
Unallocated depreciation	318,296
Total expenses	**$11,066,702**
Increase in net assets	**$ 21,399**

District Governmental Activities

The District's increase in net assets indicates that the District continues to improve its financial position. Other indicators of good financial position are an increase of 5% in taxable value, and the overall continued excellent condition of the school buildings and facilities.

The District:

- experienced savings from a change in health coverage by going to a high deductible Blue Cross Blue Shield Community Blue PPO with a Health Savings Plan and continuing to self-fund dental and vision benefits,
- predicted realistic student counts,
- monitored staffing with student counts,
- maintained and upgraded facilities,
- elected to institute a trial Technology Learning Plan (TLP) which put a laptop computer in the hands of every eighth grade student.

These actions resulted in positive and beneficial improvements to the District as well as outlining its future direction.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported *combined* fund balances of $1,763,489 which is $1,293,304 less than last year's ending *combined* fund balance of $3,056,793. This large change is due to the completion and termination of the special 2006 Capital Project Fund.

The breakdown of the District's governmental funds change in fund balances are as follows: General Fund $(251,944), Field House Capital Projects ($58,375), 2006 Capital Projects Fund ($959,289) expended and closed, Building and Site Sinking Fund $29,959, Food Service ($36,195), Athletic Fund ($17,860), 2006 Bond Debt $400. The District had a total decrease of $1,293,304 to the governmental funds *combined* fund balance.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before fiscal year-end. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.)

- Changes were made to account for final enrollment counts and changes in assumptions since the original budget was adopted.
- Revisions were also necessary to continue to comply with the State Accounting Manual.

While the District's final budget for the general fund anticipated that expenditures would be $174,502 greater than revenues, the actual results for the year reflect expenditures of $251,944 greater than revenues. This additional $77,442 change in fund balance is primarily due to:

- Deferred state revenue of $45,559 for the Great Start Readiness Program. These funds will be applied to the next fiscal year.
- Title VI funds of approximately $33,000 included in the revenue budget but were unable to offset current expenditures. These funds will also be available for the next fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

By the end of fiscal year 2008, the District had invested $13.7 million as shown in Table A-5. Changes in assets were primarily in the following capital projects: completion of the elementary multi-purpose gymnasium and redesign and construction of the elementary drive and parking area. Net capital assets reflect a net increase of $ 824,776, or 9.3 percent over last year.

Table A-5
Capital Assets

	June 30	
	2007	**2008**
Land	$ 41,355	$ 41,355
Construction in Progress – elementary school multi-purpose room	294,506	-0-
Buildings and improvements	10,853,674	12,203,059
Busses and or other vehicles	1,074,576	1,076,767
Furniture and equipment	427,736	416,151
Total capital assets	12,691,847	13,737,332
Less accumulated depreciation	(3,806,076)	(4,035,785)
Net Capital Assets	**$8,885,771**	**$9,710,547**

The District's fiscal year 2009 looks to be one of continued cautious spending in the General Fund. However with careful planning, the District will be taking a giant step forward with its Technology Learning Plan (TLP) by issuing laptop computers to students in seventh through twelfth grades. This plan will transform learning to meet the students' abilities and interests. By bringing the classroom into the digital world, the District anticipates meeting many of the students' currently unmet academic needs to include remediation and advanced learning. TLP is an additional tool to engage students in the four standards of instruction (deep knowledge, higher order thinking, substantive conversation, and connections to the real world) and supports our current mission statement and board goals.

Long-term Debt

At the end of the year, the District had $1,985,693 in long-term obligations and bonds outstanding as shown in Table A-6. (More detailed information about the District's long-term liabilities is presented in the Notes to the financial statements.)

- The District continues to reduce its debt for the 2006 Capital Project Bonds, borrowing for school buses, compensated absences, and its early retirement incentive plan.

- The district debt payments totaled $523,994 for the year.

Table A-6 Outstanding Long-Term Debt	June 30	
	2007	2008
Bonds payable	$2,073,534	$1,613,534
Loans payable	112,994	84,000
Other long-term liabilities	237,864	288,159
Total	2,424,392	1,985,693
Less current portion	(523,994)	(565,269)
Total long-term debt payable	**$1,900,398**	**$1,420,424**

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The economic stability of the nation, the state, and the community is uncertain. Certain national financial institutions are failing and will have a significant effect upon the nation and our District over the next several years. Our state is experiencing higher unemployment than other states which impacts many aspects of the state's budget. The District is dependent upon the federal and state government for 82 percent of its revenue.
- The District has experienced declining student population over the last nine years and expects the trend to continue. This directly impacts the formula for state aid revenue which represents 81 percent of total General Fund revenue. The Administrative Team will monitor the student count to ensure proper staffing levels.
- The cost of health insurance continues to increase by double digits.
- The Administrative Team will be working intentionally and collaboratively to meet the new state mandated academic requirements as well as the Board's goals and expectations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Union City Community Schools, 430 St. Joseph Street, Union City, Michigan 49094.

Union City Community Schools

Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS	
Current Assets	
Cash (Note 2)	$454,386
Investments (Note 2)	460,574
Accounts receivable (Note 3)	1,848,596
Inventory	10,686
Total current assets	2,774,242
Noncurrent Assets	
Capital assets (Note 4)	13,737,332
Less: accumulated depreciation (Note 4)	(4,035,785)
Total noncurrent assets	9,701,547
Total assets	$12,475,789
LIABILITIES	
Current Liabilities	
Accounts payable	$69,776
Salaries payable	476,887
Accrued payroll withholdings and fringe benefits payable	261,487
Accrued vacation	21,282
Accrued interest	18,698
Deferred revenue (Note 3)	45,559
Bonds payable, due within one year (Note 7)	497,269
Notes payable - bus, due within one year (Note 7)	28,000
Compensated absences (Note 7)	208,159
Deferred compensation, due within one year (Note 12)	40,000
Notes payable - state aid (Note 7)	157,044
Deferred revenue - field house	4,252
Total current liabilities	1,828,413
Noncurrent Liabilities	
Deferred compensation (Note 7)	40,000
Bonds payable (Note 7)	1,116,265
Notes payable - bus (Note 7)	56,000
Total noncurrent liabilities	1,212,265
Total liabilities	3,040,678
Net Assets	
Invested in capital assets, net of related debt	8,057,547
Restricted for debt service	1,585
Unrestricted	1,375,979
Total net assets	9,435,111
Total liabilities and net assets	$12,475,789

The accompanying notes are an integral part of these financial statements.

Statement of Activities
Year Ended June 30, 2008

	Expenses	Program Revenues		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	
Functions/Programs				
Governmental Activities:				
Instruction and instructional support	$6,220,640	$538,272	$1,419,450	$(4,262,918)
Support services	3,686,699	0	0	(3,686,699)
Food services	396,230	155,090	225,437	(15,703)
Athletics	297,715	62,852	0	(234,863)
Community services	4,596	0	0	(4,596)
Interest on long-term debt	127,246	0	0	(127,246)
Other	15,280	0	0	(15,280)
Depreciation (unallocated)	318,296	0	0	(318,296)
Total Governmental Activities	$11,066,702	$756,214	$1,644,887	$(8,665,601)

General Revenues:	
Taxes	
Property taxes, levied for general operations	$517,027
Property taxes, levied for capital projects	572,461
State of Michigan aid, unrestricted	7,421,490
Contributions	2,462
Restricted contribution used for field house construction costs	60,610
Interest and investment earnings	81,833
Other	31,117
Total General Revenues	8,687,000
Change in Net Assets	21,399
Net assets - Beginning of year	9,413,712
Net assets - End of year	$9,435,111

The accompanying notes are an integral part of these financial statements.

Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	2006 Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 401,161	$ 0	$ 53,225	$ 454,386
Investments	387,894	0	72,680	460,574
Accounts receivable	1,847,683	0	913	1,848,596
Inventory	10,410	0	276	10,686
Due from other funds (Note 6)	27,529	0	123,316	150,845
Total assets	$ 2,674,677	$ 0	$ 250,410	$ 2,925,087
Liabilities and Fund Balance				
Accounts payable	$ 52,737	$ 0	$ 17,039	$ 69,776
Salaries payable	476,178	0	709	476,887
Accrued payroll withholdings and fringe benefits payable	261,312	0	175	261,487
Due to other funds (Note 6)	123,316	0	27,529	150,845
Deferred revenue	45,559	0	0	45,559
Notes payable - state aid	157,044	0	0	157,044
Total liabilities	1,116,146	0	45,452	1,161,598
Fund Balance				
Reserved for inventory	10,410	0	0	10,410
Designated for track	5,182	0	0	5,182
Designated/restricted for capital expenditure	75,000	0	0	75,000
Unreserved and undesignated	1,467,939	0	203,373	1,671,312
Restricted for debt service	0	0	1,585	1,585
Total fund balance	1,558,531	0	204,958	1,763,489
Total liabilities and fund balance	$ 2,674,677	$ 0	$ 250,410	$ 2,925,087

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

Total Governmental Fund Balances		$ 1,763,489
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.		
The cost of the capital assets is	13,737,332	
Accumulated depreciation is	(4,035,785)	
		9,701,547
Liabilities that are not due and payable in the current period and are not reported in the fund:		
Bonds and notes payable		$ (1,697,534)
Compensated absences		(208,159)
Accrued interest		(18,698)
Accrued vacation		(21,282)
Deferred compensation		(80,000)
Deferred revenue for field house		(4,252)
Net assets of governmental activities		$ 9,435,111

The accompanying notes are an integral part of these financial statements.

Union City Community Schools

Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General	2006 Capital Projects	Other Nonmajor Governmental Funds	Totals
REVENUES				
Local sources	$632,374	$13,633	$795,864	$1,441,871
State sources	8,129,321	0	13,774	8,143,095
Federal sources	711,619	0	211,663	923,282
Incoming transfers and other transfers	521,478	0	0	521,478
Total revenues	9,994,792	13,633	1,021,301	11,029,726
EXPENDITURES				
Current:				
Instruction	6,156,215	0	0	6,156,215
Support services	3,665,214	0	690,348	4,355,562
Community services	4,596	0	0	4,596
Debt service	28,994	0	539,790	568,784
Capital outlay	175,212	972,764	89,082	1,237,058
Intergovernmental payments/other	505	0	310	815
Total expenditures	10,030,736	972,764	1,319,530	12,323,030
Excess (deficiency) of revenue over expenditures	(35,944)	(959,131)	(298,229)	(1,293,304)
OTHER FINANCING SOURCES (USES)				
Bus note payable proceeds	0	0	0	0
Bonds payable proceeds	0	0	0	0
Operating transfers in	0	0	756,158	756,158
Operating transfers out	(216,000)	(158)	(540,000)	(756,158)
Total other sources of funds	(216,000)	(158)	216,158	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	(251,944)	(959,289)	(82,071)	(1,293,304)
Fund balances, beginning of year	1,810,475	959,289	287,029	3,056,793
Fund balances, end of year	$ 1,558,531	$ 0	$ 204,958	$ 1,763,489

The accompanying notes are an integral part of these financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds		$	(1,293,304)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation			
Depreciation expense	(318,296)		
Capital outlay and facility acquisition	1,134,072		815,776
Change in accrued interest is recorded in the statement of activities when incurred; and reported in governmental funds when paid			1,579
Payments on deferred compensation as an expenditure in governmental funds, but not in statement of activities as it reduces long-term debt			35,000
Increases in deferred compensation is recorded in the statement of activities when incurred; and reported in government funds when paid			(80,000)
Change in accrued vacation is recorded in the statement of activities when earned; and reported in governmental funds when paid.			274
Repayments of notes and bond principal is an expenditure in the governmental funds, but not in the statement of activities as it reduces long-term debt			488,994
Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds			(5,295)
Restricted contribution for field house construction, recorded in statement of activities when spent; reported in governmental fund when received.			58,375
Change in Net Assets of Governmental Activities		$	21,399

The accompanying notes are an integral part of these financial statements.

Union City Community Schools

Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2008

	Agency Fund - Student Activities
Assets	
Cash	$16,559
Investments	47,275
	$63,834
Liabilities	
Due to student groups	$63,834
Total liabilities	$63,834

The accompanying notes are an integral part of these financial statements.

1. **Nature of Entity and Significant Accounting Policies**

The accounting policies of Union City Community Schools ("the School District") conform to U.S. generally accepted accounting principles as applicable to local school districts. The following is a summary of the significant accounting policies:

Reporting Entity - The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the district does not contain any component units.

District-Wide and Fund Financial Statements - The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

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 that are clearly identifiable with a specific function. Program revenue includes (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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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

1. **Nature of Entity and Significant Accounting Policies - Continued**

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting, but does not have a measurement focus.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay and deferred compensation are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

> The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

1. **Nature of Entity and Significant Accounting Policies - Continued**

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Service Fund.

Building and Site Sinking and Capital Projects Funds are used to record tax, interest and other revenue for capital projects of the School District. For these funds, the School District has complied with the applicable provisions of Sec. 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Debt Funds are used to record tax, interest and other revenue for payment of principal and other expenditures on bond issues.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

Assets, Liabilities, and Net Assets or Equity

Investments - In accordance with GASB Statement No. 31, the School District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report

1. **Nature of Entity and Significant Accounting Policies - Continued**

nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories - Materials, supplies and food commodities are carried at cost utilizing the first-in, first-out method and are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if

1. **Nature of Entity and Significant Accounting Policies - Continued**

purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	25-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

Compensated Absences - The School District has a policy which allows employees to accrue sick days. Personnel are allowed to accumulate sick days up to maximum limit and will be paid at a standard rate should they terminate their employment. The contingent liability for sick pay is recorded in the government-wide statements.
The District also has a policy which allows all employees with year-round contracts to carry over a maximum of ten un-used vacation days for use in the next fiscal year. The liability for vacation carry over is recorded in the government wide financial statements.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

Budgets - The School District is required by state law to adopt annual budgets for the General Fund and Special Revenue Funds.

1. **Nature of Entity and Significant Accounting Policies - Continued**

Each budget is presented on the modified accrual basis of accounting which is consistent with U.S. generally accepted accounting principles ("GAAP").

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The School District prepares a budget prior to the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

2. A public hearing and a meeting of the Board of Education is then called for the purpose of adopting the proposed budget.

3. The budget is legally enacted through passage of a resolution by the Board of Education typically in June prior to the beginning of the new fiscal year.

Once a budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Education. Amendments are presented to the Board at its regular meetings. Each amendment must have Board Approval. Such amendments are made before the fact and are reflected in the official minutes of the Board.

Each budget is controlled by the revenue and function/object level. Expenditures in excess of amounts budgeted is a violation of Michigan law. Budgeted amounts are as amended by the Board of Education. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Economic Dependency - The School District received approximately 81% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source, the School District is considered to be economically dependent on the Michigan Department of Education.

Concentrations - Approximately 49% of the School District's employees work under collective bargaining agreements. Both existing union agreements will expire on June 30, 2009.

2. Cash and Investments

The School District is authorized by Michigan Public Acts 217 and 367 of 1982 to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are comprised of authorized investment vehicles.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At June 30, 2008, the carrying cash balance of $470,945 which had a bank balance of $713,400 of which $100,000 was covered by federal depository insurance and $613,400 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

The School District's investments at year-end were invested in a mutual fund for Michigan school districts in which each school district owns a prorata share of each investment held in the name of the mutual fund. The investment pools have not been assigned a risk category as the School District has not issued securities, but rather owns an undivided beneficial interest in the assets of these pools. The investments have a carrying amount of $507,849 which approximates cost.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	$ 454,386	$ 16,559	$ 470,945
Investments	460,574	47,275	507,849
Total	$ 914,960	$ 63,834	$ 978,794

The School District has not adopted an investment policy that addresses the specific type of risk to which the School District is exposed.

3. Accounts Receivable

Receivables as of year-end for the School District's individual major funds and the nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects	Nonmajor and Other Funds	Total
Receivables:				
Intergovernmental	$ 1,814,296	$ 0	$ 0	$ 1,814,296
Other	33,387	0	913	34,300
Net receivables	$ 1,847,683	$ 0	$ 913	$ 1,848,596

4. Capital Assets

Capital asset activity of the School District's Governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated:				
Land	$ 41,355	$ 0	$ 0	$ 41,355
Construction-in-progress elementary school multi purpose room	294,506	0	(294,506)	0
Capital assets being depreciated:				
Building and building improvements	10,853,674	1,321,039	28,346	12,203,059
Buses and other vehicles	1,074,576	85,010	(82,819)	1,076,767
Furniture and equipment	427,736	22,529	(34,114)	416,151
Subtotal	12,691,847	1,428,578	(383,093)	13,737,332
Accumulated depreciation:				
Building and building improvements	2,875,763	214,194	(9,844)	3,080,113
Buses and other vehicles	631,698	81,472	(82,818)	630,352
Furniture and equipment	298,615	22,630	4,075	325,320
Subtotal	3,806,076	318,296	(88,587)	4,035,785
Net capital assets	$ 8,885,771			$ 9,701,547

Depreciation expense was not charged to activities as the district considers its assets to impact multiple activities and allocation is not practical.

5. Property Taxes

The School District's property tax is levied each October 1 on the assessed value listed as of the prior December 31 for all real and business personal property located in the School District. The taxable value of the roll on May 29, 2007, upon which the levy for the 2008 fiscal year was based, was $127,638,972. Taxes are due on October 1 and become delinquent by March 1 following the October 1 levy date.

The tax rates assessed for the year ended June 30, 2008 to finance the following (based on $1,000 of taxable valuation):

	Homestead	Nonhomestead
Operating	-0-	18.0000
Building & Site Sinking Fund	4.4697	4.4697
	4.4697	22.4697

6. Interfund Receivables and Payables

Interfund balances at June 30, 2008 consisted of the following individual payables:

	Receivables	Payables
General Fund:		
Special Revenue Funds:		
Food Service	$ -0-	$53,133
Athletic	27,529	-0-
Building & Site Sinking Fund	-0-	70,183
Special Revenue Funds:		
Food Service Fund:		
General Fund	53,133	-0-
Athletic Fund:		
General Fund	-0-	27,529
Building & Site Sinking Funds	70,183	-0-
	$150,845	$150,845

6. Interfund Receivables and Payables - Continued

The interfund balances between the general fund and special revenue funds represent payments made by the general fund on behalf of the special revenue fund. The balances between the general fund and building and site sinking fund represent receipts or expenditures made on behalf of the fund. All balances are expected to be repaid within one year.

Interfund transfers for the year ended June 30, 2008 consisted of a transfer out of the general fund to the special revenue fund - athletic fund of $216,000 due to anticipated deficiency, a transfer out of the building and site sinking fund to the 2006 bond debt service fund of $540,000 to fund debt service and a transfer out of 2006 capital projects fund to 2006 bond debt service fund of $158 to fund debt service payments.

7. Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and severance pay.

	Durant Bond	Capital Projects Bond	Bus Note	Accrued Sick and Vacation Liability	Deferred Compensation
Governmental Activities					
Balance at June 30, 2007	$53,534	$2,020,000	$112,994	$202,864	$35,000
Additions	-0-	-0-	-0-	5,295	80,000
Retirements and payments	-0-	460,000	28,994	-0-	35,000
Balance at June 30, 2008	$53,534	$1,560,000	$84,000	$208,159	$80,000
Due within one year	$7,269	$490,000	$28,000	$-0-	$40,000

7. **Long-term Debt - Continued**

Bonds payable at June 30, 2008, are comprised of the following individual issues:

	Governmental Activities		
	Principal	Interest	Total
$130,616 Durant bond due in annual installments ranging from $9,172 to $27,515 through May 15, 2013.	$ 53,534	$ 10,351	$ 63,885
$2,430,000 2006 school facility bond due in installments ranging from $490,000 to $550,000 through May 1, 2011.	1,560,000	115,340	1,675,340
	$1,613,534	$125,691	$1,739,225

The notes payable - bus at June 30, 2008 is comprised of the following:

Date	Original Amount	Annual Principal Payment	Maturity Date	Interest Rate	Remaining Interest	To Maturity Principal	Total
8/1/06	$112,994	$28,000	8/1/2010	4.425%	$ 4,026	$ 84,000	$125,303

The fair value of long-term debt obligations approximate their carrying value.

The principal requirements to amortize the bonds to maturity are as follows:

	Governmental Activities		
	Bonds Payable		Total Interest and Principal Payment
Years Ending June 30,	Principal	Interest	
2009	$497,269	$60,254	$557,523
2010	541,176	45,056	586,232
2011	557,977	19,251	577,228
2012	8,357	765	9,122
2013	8,755	365	9,120
	$1,613,534	$125,691	$1,739,225

The other long-term obligation consists of vested sick and accrued vacation pay to be paid in future years. Upon termination or retirement, an employee can only be paid for sick pay accumulated up to 90 sick days at primarily $35 per day.

7. **Long-term Debt - Continued**

Interest expense for the year ended June 30, 2008, was $79,272 in the Debt Retirement Funds and $47,973 in the General Fund.

The note payable under the general fund was borrowing against the state aid receipts and was repaid in July, 2008 upon the receipt of the state aid receivable.

The School District elected to receive a lump sum amount (bond proceeds) from the State of Michigan as a result of the Durant vs. State of Michigan settlement. The Durant bonds will be reduced each year by the annual State of Michigan appropriation for making the annual debt service payment on the bonds. If the State of Michigan legislature fails to appropriate the funds, the School District is under no obligation for payment.

The proceeds from the 2006 school facility bond and interest income earned on those proceeds were used for the purpose of constructing athletic facilities and elementary school renovations.

The accompanying statements reflects the activity of the 2006 school facility bond issue, recorded in the District's 2006 capital project fund, from the date of the bond issue, August 28, 2006, through project completion, October 1, 2007, as indicated on the Certificate of Substantial Completion (AIA Form G704). The projects, for which the bonds were issued, were considered complete, with all funds expended, as of February 15, 2008.

8. **Defined Benefit Pension Plan**

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103. The School District's payroll for employees covered by the MPSERS for the year ended June 30, 2008, was approximately $5,900,000.

Basically all School District employees are eligible to participate in the MPSERS. A basic plan member may retire at age 55 with 30 or more years of credited service, or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1-1/2 percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's

8. **Defined Benefit Pension Plan - Continued**

average salary over the last three or five years of credited service. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. Benefits are established by state statute.

Funding Policy - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension rate totals 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were approximately $984,000, $991,000 and $909,000, respectively, equal to the required contributions for each year.

Post Employment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

9. **Commitments and Contingencies**

Grants - The School District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2008 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

9. Commitments and Contingencies - Continued

Risk Management - The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims and participates in the SET/SEG (risk pool) for claims relating to workers' compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Unemployment - The School District is a reimbursing employer to the Michigan Employment Security Commission and as such is responsible to pay the Commission for those benefits paid and charged to its account. As of June 30, 2008, appropriate liabilities have been made for future payments that might result from claims in process or unfiled.

10. Subsequent Event

On August 20, 2008, the School District borrowed $1,200,000 from the Michigan Municipal Bond Authority at 1.63% interest repayable with state aid receipts but no later than August 20, 2009.

11. Leases

The School District has office equipment that are leased under operating leases. Subsequent to June 30, 2008, the School District received computer equipment under a computer lease for $477,575 in equipment with annual payments of $127,741 through July 2011. Minimum payments under noncancellable operating leases including the new are as follows:

Year ending June 30,	
2009	$168,765
2010	137,437
2011	130,375
2012	127,741

Rent expense for leased office equipment for the year ended June 30, 2008 was $42,532.

12. Deferred Compensation

The School District has a nonqualified deferred compensation plan to provide early retirement incentives. The total amount to be paid under the plan at June 30, 2008 is $80,000, payable at $40,000 in fiscal 2009 and $20,000 in both fiscal 2010 and 2011. The School District funds obligations to a trust when the obligation is due.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	$ 587,400	$ 639,700	$ 632,374	$ (7,326)
State sources	8,237,000	8,183,815	8,129,321	(54,494)
Federal sources	743,600	778,150	711,619	(66,531)
Other transactions	605,000	595,000	521,478	(73,522)
Total revenues	10,173,000	10,196,665	9,994,792	(201,873)
EXPENDITURES				
Current:				
Basic instruction	6,063,218	6,181,178	6,156,215	(24,963)
Support services	3,748,957	3,760,944	3,665,214	(95,730)
Community services	4,925	4,700	4,596	(104)
Capital outlay	71,100	176,845	175,212	(1,633)
Intergovernmental payments	25,500	2,500	505	(1,995)
Debt service	29,000	29,000	28,994	(6)
Total expenditures	9,942,700	10,155,167	10,030,736	(124,431)
Excess of Revenues Over Expenditures	230,300	41,498	(35,944)	(77,442)
Other Financing Sources (Uses)				
Operating Transfers out	(230,000)	(216,000)	(216,000)	0
Total other sources of funds	(230,000)	(216,000)	(216,000)	0
Net Change in Fund Balance	300	(174,502)	(251,944)	(77,442)
Fund balance, beginning of year	1,810,475	1,810,475	1,810,475	0
Fund balance, end of year	$ 1,810,775	$ 1,635,973	$ 1,558,531	$ (77,442)

Other Supplemental Information

Union City Community Schools

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds			Capital Projects Funds		
	Food Service	Athletics	2006 Bond Debt Service	Field House	Building and Site Sinking Fund	Total
Assets						
Cash	$ (1,457)	$ 16,764	$ 1,585	$ 4,252	$ 32,081	$ 53,225
Investments	49,027	23,653	0	0	0	72,680
Accounts receivable	913	0	0	0	0	913
Inventory	276	0	0	0	0	276
Due from other funds	53,133	0	0	0	70,183	123,316
Total assets	$ 101,892	$ 40,417	$ 1,585	$ 4,252	$ 102,264	$ 250,410
Liabilities and Fund Balances						
Accounts payable	$ 5,345	$ 11,694	$ 0	$ 0	$ 0	$ 17,039
Salaries payable	0	709	0	0	0	709
Accrued payroll withholdings and fringe benefits payable	0	175	0	0	0	175
Due to other funds	0	27,529	0	0	0	27,529
Total liabilities	5,345	40,107	0	0	0	45,452
Fund Balances						
Unrestricted	96,547	310	0	4,252	102,264	203,373
Restricted for debt service	0	0	1,585	0	0	1,585
Total fund balances	96,547	310	1,585	4,252	102,264	204,958
Total liabilities and fund balances	$ 101,892	$ 40,417	$ 1,585	$ 4,252	$ 102,264	$ 250,410

Union City Community Schools

Other Supplemental Information
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

	Special Revenue Funds		Debt Funds		Capital Projects Funds		
	Food Service	Athletics	2006 Bond Debt	Durant Debt	Field House	Building and Site Sinking Fund	Total
REVENUES							
Local sources	$ 157,127	$ 63,856	$ 32	$ 0	$ 2,235	$ 572,614	$ 795,864
State sources	13,774	0	0	0	0	0	13,774
Federal sources	211,663	0	0	0	0	0	211,663
Total revenues	382,564	63,856	32	0	2,235	572,614	1,021,301
EXPENDITURES							
Current operations:							
Support service	390,142	297,716	0	0	0	2,490	690,348
Capital outlay	28,472	0	0	0	60,610	0	89,082
Debt service	0	0	539,790	0	0	0	539,790
Intergovernmental payments/other	145	0	0	0	0	165	310
Total expenditures	418,759	297,716	539,790	0	60,610	2,655	1,319,530
Excess (deficiency) of revenues over expenditures	(36,195)	(233,860)	(539,758)	0	(58,375)	569,959	(298,229)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	0	216,000	540,158	0	0	0	756,158
Operating transfers out	0	0	0	0	0	(540,000)	(540,000)
Total other sources of funds	0	216,000	540,158	0	0	(540,000)	216,158
Excess (deficiency) of revenues and other sources over expenditures and other uses	(36,195)	(17,860)	400	0	(58,375)	29,959	(82,071)
Fund balances, beginning of year	132,742	18,170	1,185	0	62,627	72,305	287,029
Fund balances, end of year	$ 96,547	$ 310	$ 1,585	$ 0	$ 4,252	$ 102,264	$ 204,958

Union City Community Schools

Statement of Revenues and Expenditures
For 2006 School Facility Bond
For the Period of August 28, 2006 to October 1, 2007

Revenue	
Interest income	$ 74,876
Expenditures:	
Capital Outlay	
Elementary school renovations	1,267,270
Middle School roof	531,552
Construction:	
Athletic facilities	689,862
Bond costs and fees	16,034
Total expenditures	2,504,718
Deficiency of revenues under expenditures	(2,429,842)
Other financing sources (uses)	
Proceeds from bonds	2,430,000
Transfer to debt service fund	(158)
Total other sources of funds	2,429,842
Excess of revenue and other financing sources over expenditures	$ 0

The accompanying notes are an integral part of these financial statements.

"Striving For Excellence In Everything We Do"

Union City Community Schools
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Phyllis Gillette
Business Manager

TO: **Whom it May Concern**

FROM: **Union City Community Schools**

DATE: **October 23, 2008**

SUBJECT: **Management letter**

This memo is notification that the management letter was not issued.