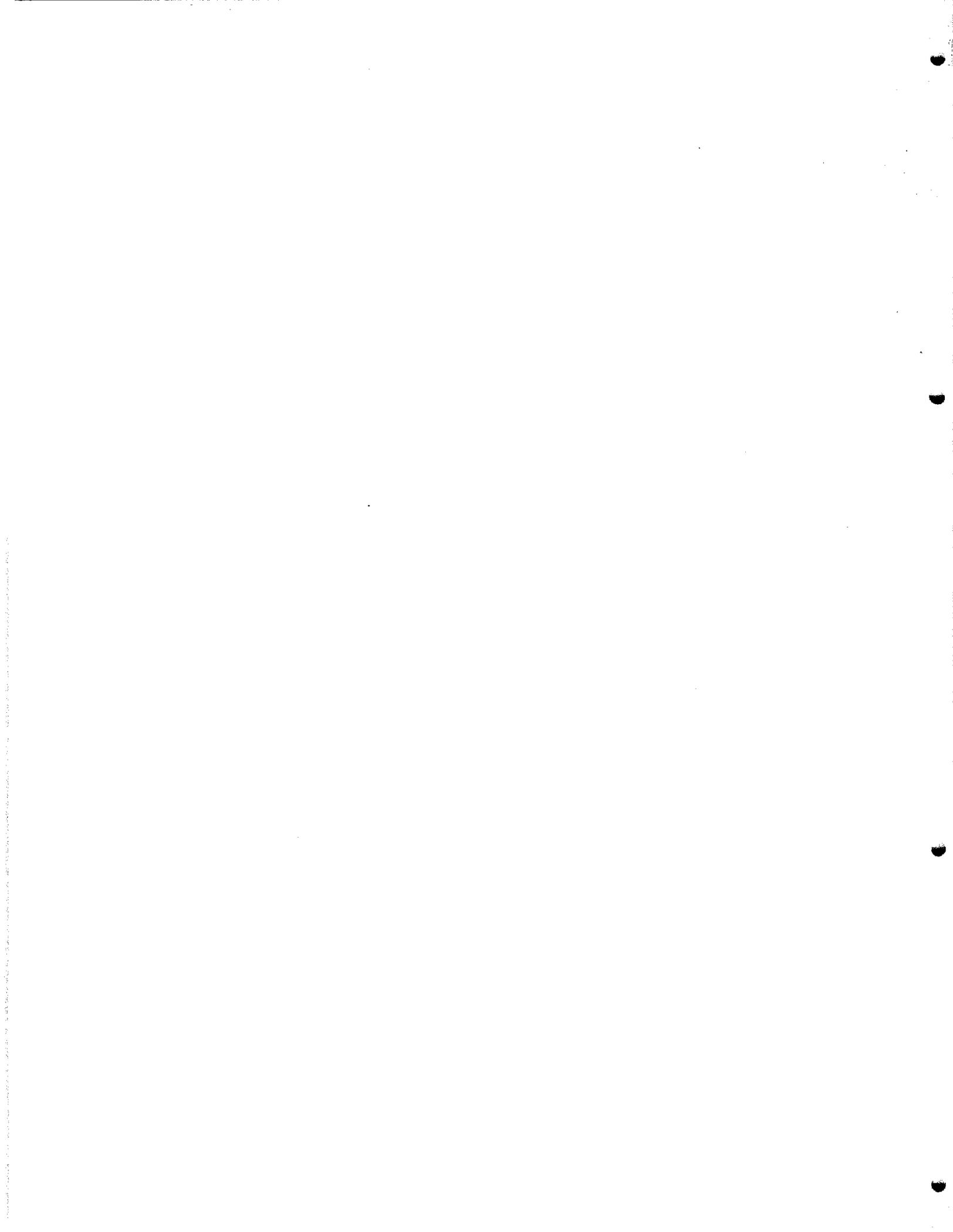




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NORTH TIPPAH SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008



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JUNE 30, 2008**

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

Superintendent and School Board
North Tippah School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the North Tippah School District at June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2009, on our consideration of the North Tippah School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the Budgetary Comparison Schedules and corresponding notes on pages 26-29 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

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

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

Branner Vonstony & Company, P. A.

August 5, 2009
Corinth, Mississippi

**NORTH TIPPAAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

This discussion and analysis of North Tippah School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this selection is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

Total net assets increased \$339,009, which represents a 6.28% increase from fiscal year 2007.

General revenues account for \$8,593,687 in revenue, or 79.80% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,175,237 or 20.20% of total revenues.

The District had \$10,357,815 in expenses; only \$2,175,237 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,593,687 were adequate to provide for these programs.

Among major funds, the General Fund had \$8,976,363 in revenues and \$8,651,877 in expenditures. The General Fund's fund balance increased \$155,800 from the prior year.

Capital assets, net of accumulated depreciation, increased by \$99,682.

Long-term debt decreased by \$76,819.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

**NORTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 12 and 14 of this report.

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

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities on page 15.

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 on pages 16-25 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each major Special Revenue fund. This required supplementary information can be found on pages 26-29 of this report.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and can be found on page 30 in this report.

Additionally, a Schedule of Instructional, Administrative, and Other Expenditures – Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balance – General Funds, Last Four Years, and Statement of Revenues, Expenditures, and Changes in Fund Balance – All Governmental Funds, Last Four Years, are included on pages 31-33 of this report as required by the Mississippi Department of Education.

**NORTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$5,740,641 as of June 30, 2008.

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

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2008 and 2007.

	2008	2007	Percent Change
Current Assets	\$ 3,220,587	\$ 3,087,060	4.33%
Capital Assets, Net	2,789,905	2,690,223	3.71%
Total Assets	6,010,492	5,777,283	4.04%
Current Liabilities	26,624	55,605	-52.12%
Long-Term Debt Outstanding	243,227	320,046	-24.00%
Total Liabilities	269,851	375,651	-28.16%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,739,905	2,460,223	11.37%
Restricted	278,924	272,974	2.18%
Unrestricted	2,721,812	2,668,435	2.00%
Total Net Assets	\$ 5,740,641	\$ 5,401,632	6.28%

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

- The principal retirement of \$180,000 of long-term liabilities.
- Proceeds from a three-mill note payable of \$72,100
- The purchase of three school buses for \$196,500

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008, were \$10,768,924. The total cost of all programs and services was \$10,357,815. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and 2007:

**NORTH TIPPAAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

	2008	2007	Percent Change
Revenues:			
Program Revenues			
Charges for Services	\$ 651,179	\$ 665,343	-2.13%
Operating Grants and Contributions	1,524,058	1,457,356	4.58%
Capital Grants and Contributions	-	42,926	-100.00%
General Revenues			
Property Taxes	1,023,714	1,083,370	-5.51%
Unrestricted Grants and Other Contributions	7,369,935	6,907,105	6.70%
Unrestricted Investment Earnings	141,697	174,126	-18.62%
Other	58,341	15,735	270.77%
Total Revenues	10,768,924	10,345,961	4.09%
Expenses:			
Instruction	6,249,682	5,890,443	6.10%
Support Services	3,275,694	3,117,319	5.08%
Non-Instructional Services	827,148	785,523	5.30%
Interest on Long-Term Liabilities	5,291	10,377	-49.01%
Total Expenses	10,357,815	9,803,662	5.65%
Transfers to Other Districts	72,100	-	100.00%
Increase (Decrease) in Net Assets	339,009	542,299	-37.49%
Net Assets, July 1	5,401,632	4,859,333	11.16%
Net Assets, June 30	\$ 5,740,641	\$ 5,401,632	6.28%

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

	2008		2007	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 6,249,682	\$ (4,994,576)	\$ 5,890,443	\$ (4,652,570)
Support Services	3,275,694	(3,079,946)	3,117,319	(2,849,882)
Non-Instructional	827,148	(102,765)	785,523	(125,208)
Interest on Long-Term Liabilities	5,291	(5,291)	10,377	(10,377)
Total Expenses	\$ 10,357,815	\$ (8,182,578)	\$ 9,803,662	\$ (7,638,037)

The net cost of governmental activities (\$8,182,578) was financed by general revenue, which is made up of primarily property taxes of \$1,023,714 and state revenue of \$7,288,205.

Interest earnings accounted for \$141,697 of funding.

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.

**NORTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,197,377, an increase of \$161,849, including a decrease in reserve for inventory of \$1,399, due primarily to moderate increases in revenues partially offset by expenditures for three school buses. \$3,089,607 or 96.63% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$107,770 or 3.37% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$155,800. The fund balance of Other Governmental Funds showed an increase of \$7,448.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

- Budgeted amounts for General Fund local revenue overestimated ad valorem tax revenues.
- Budgeted amounts for General Fund revenue from state sources were decreased due to the retirement of higher-paid teachers who were replaced by lower-paid teachers.
- Actual expenditures for maintenance and operations of school facilities and transportation costs were below budgeted figures.
- Budgeted amounts for facilities acquisition and construction expenditures were decreased due to roofing projects being delayed.
- Actual expenditures were below budget primarily because the District budgets from fund balance for unplanned expenditures (contingencies). The District did not spend the entire contingency amount.
- Budgeted amounts for Other Financing Sources (Uses) did not include loan proceeds or transfers to the South Tappah School District for capital improvements to the Tippah Career and Technology Center.

Schedules showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major Special Revenue funds are provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$5,616,135, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$206,012 from the previous year. Total accumulated depreciation as of June 30, 2008, was \$2,826,230, and total depreciation expense for the year was \$106,330, resulting in total net assets of \$2,789,905.

**NORTH TIPPAAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

	Capital Assets, Net of Depreciation		Percent Change
	2008	2007	
Land	\$ 102,827	\$ 102,827	0.00%
Construction in Progress	-	688,415	-100.00%
Buildings	2,182,997	1,526,540	43.00%
Building Improvements	44,505	47,055	-5.42%
Mobile Equipment	32,669	35,002	-6.67%
Furniture and Equipment	408,007	264,108	54.48%
Leased Property Under Capital Assets	18,900	26,276	-28.07%
Totals	\$ 2,789,905	\$ 2,690,223	3.71%

Additional information of the District's capital assets can be found in Note 4 on pages 22-23 of this report.

Debt Administration. At June 30, 2008, the District had \$243,227 in limited obligation bonds and other long-term liabilities outstanding, of which \$122,100 is due within one year. The District is required to pay interest semi-annually on its limited obligation bonds and make principal payments each August. The District's three-mill note payable will be paid in full in October 2008.

	Outstanding Liabilities		Percent Change
	2008	2007	
Limited Obligation Bonds Payable	\$ 50,000	\$ 230,000	-78.26%
Three-Mill Note Payable	72,100	-	100.00%
Compensated Absences Payable	121,127	90,046	34.52%
Total	\$ 243,227	\$ 320,046	-24.00%

Additional information of the District's long-term liabilities can be found in Note 5 on pages 23-24 of this report.

CURRENT ISSUES

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

Latest enrollment figures indicate that student enrollment in the District will increase by approximately twenty-four students over the next fiscal year. The budget for the next fiscal year has taken this into account for both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the North Tippah School District, P.O. Box 65, Tiplersville, MS 38674.

Exhibit A

**NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 3,031,175
Due From Other Governments	165,631
Inventories	23,781
Capital Assets, not being Depreciated	
Land	102,827
Capital Assets, Net of Accumulated Depreciation	
Buildings	2,182,997
Building Improvements	44,505
Improvements other than Buildings	32,669
Mobile Equipment	408,007
Furniture and Equipment	18,900
Total Assets	<u>6,010,492</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	16,618
Unearned Revenue	6,592
Interest Payable on Long Term Liabilities	3,414
Long-Term Liabilities (due within one year)	
Capital Related Liabilities	50,000
Non-Capital Liabilities	72,100
Long-Term Liabilities (due beyond one year)	
Non-Capital Liabilities	121,127
Total Liabilities	<u>269,851</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,739,905
Restricted Net Assets:	
Expendable	
School-Based Activities	253,284
Unemployment Benefits	25,640
Unrestricted	2,721,812
Total Net Assets	<u>\$ 5,740,641</u>

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

**NORTH TIPPDAH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and
					Changes in
					Governmental
					Activities
					Total
Governmental Activities					
Instruction	\$ 6,249,682	\$ 461,242	\$ 793,864	\$ -	\$ (4,994,576)
Support Services	3,275,694	-	195,748	-	(3,079,946)
Non-Instructional Services	827,148	189,937	534,446	-	(102,765)
Interest on Long-Term Liabilities	5,291	-	-	-	(5,291)
Total Governmental Activities	\$ 10,357,815	\$ 651,179	\$ 1,524,058	\$ -	(8,182,578)

General Revenues

Taxes:	
General Purpose Levies	1,023,714
Unrestricted Grants and Contributions	
State	7,288,205
Federal	81,730
Unrestricted Investment Earnings	141,697
Other Revenues	58,341
Total General Revenues	8,593,687
Payment to South Tippah School District for Tippah Career and Technology Center Capital Improvements	(72,100)
Total General Revenues and Transfers	8,521,587
Change in Net Assets	339,009
Net Assets - Beginning	5,401,632
Net Assets-Ending	\$ 5,740,641

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

**NORTH TIPPAH SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	PL 94-142 Fund	Title IV Fund		
ASSETS					
Cash and Cash Equivalents	\$ 2,773,795	\$ -	\$ 6,601	\$ 250,779	\$ 3,031,175
Due from Other Governments	135,085	15,415	878	14,253	165,631
Due From Other Funds	22,156	-	-	3,513	25,669
Inventories	-	-	-	23,781	23,781
Total Assets	\$ 2,931,036	\$ 15,415	\$ 7,479	\$ 292,326	\$ 3,246,256
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 9,168	\$ 1,081	\$ 972	\$ 5,397	\$ 16,618
Due To Other Funds	3,513	14,334	-	7,822	25,669
Unearned Revenue	-	-	6,507	85	6,592
Total Liabilities	12,681	15,415	7,479	13,304	48,879
Fund Balances					
Reserved for:					
Ad Valorem	58,349	-	-	-	58,349
Inventory	-	-	-	23,781	23,781
Unemployment Benefits	-	-	-	25,640	25,640
Debt Service	-	-	-	98	98
Unreserved:					
Undesignated, Reported in:					
General Fund	2,860,006	-	-	-	2,860,006
Special Revenue Funds	-	-	-	229,503	229,503
Total Fund Balances	2,918,355	-	-	279,022	3,197,377
Total Liabilities and Fund Balances	\$ 2,931,036	\$ 15,415	\$ 7,479	\$ 292,326	\$ 3,246,256

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

**NORTH TIPPAH SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
 THE STATEMENT OF NET ASSETS
 JUNE 30, 2008**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,197,377
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,826,230	2,789,905
2. Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds	(243,227)
3. Governmental funds recognize interest on long-term liabilities when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues	<u>(3,414)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 5,740,641</u></u>

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

NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	PI 94-142 Fund	Title IV Fund		
Revenues					
Local Sources	\$ 1,657,123	\$ -	\$ -	\$ 200,545	\$ 1,857,668
State Sources	7,170,724	-	-	348,596	7,519,320
Federal Sources	148,516	324,031	8,952	893,173	1,374,672
Total Revenues	8,976,363	324,031	8,952	1,442,314	10,751,660
Expenditures					
Instruction	5,380,751	197,025	4,327	597,314	6,179,417
Support Services	3,098,500	127,006	4,625	178,467	3,408,598
Non-Instructional Services	163,114	-	-	659,085	822,199
Facilities Acquisition and Construction	9,512	-	-	-	9,512
Debt Service:					
Principal	-	-	-	180,000	180,000
Interest	-	-	-	5,950	5,950
Total Expenditures	8,651,877	324,031	8,952	1,620,816	10,605,676
Excess (Deficiency) of Revenues Over Expenditures	324,486	-	-	(178,502)	145,984
Other Financing Sources (Uses)					
Proceeds of Loans	72,100	-	-	-	72,100
Insurance Loss Recoveries	17,264	-	-	-	17,264
Operating Transfers In	-	-	-	185,950	185,950
Operating Transfers Out	(185,950)	-	-	-	(185,950)
Other Financing Uses	(72,100)	-	-	-	(72,100)
Total Other Financing Sources (Uses)	(168,686)	-	-	185,950	17,264
Net Change in Fund Balances	155,800	-	-	7,448	163,248
Fund Balances:					
July 1, 2007	2,762,555	-	-	272,973	3,035,528
Decrease in Reserve for Inventory	-	-	-	(1,399)	(1,399)
June 30, 2008	\$ 2,918,355	\$ -	\$ -	\$ 279,022	\$ 3,197,377

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

**NORTH TIPPAH SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 163,248
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$206,012 and the depreciation expense amounted to \$106,330	99,682
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets	(72,100)
3. Payments of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities	180,000
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it become due	659
5. Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities	(1,399)
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated Absences	<u>(31,081)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 339,009</u></u>

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

**NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2008**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 415,425</u>
TOTAL ASSETS	<u><u>\$ 415,425</u></u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 375,875
Due to Student Clubs	<u>39,550</u>
TOTAL LIABILITIES	<u><u>\$ 415,425</u></u>

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

**NORTH TIPPAAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, North Tippah 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. However, the District has no component units.

B. Basis of Presentation

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund 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. However, the District does not have any business-type activities.

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

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

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is 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 tax and other items not properly included among program revenues are reported instead as general revenues.

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued)

Fund Financial Statements:

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

The school district reports the following major governmental funds:

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

PL 94-142 Fund - This fund accounts for a federal grant which is used to provide free appropriate public education to all children with disabilities.

Title IV Fund - This fund accounts for a federal grant which is used for programs to prevent violence and the illegal use of alcohol, tobacco, and drugs.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when the 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.

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

D. Account Classifications

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

E. Encumbrances

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

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The school 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

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes.

6. Capital Assets

Capital assets, which include property, plant, furniture, and equipment, are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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.

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, and Net Assets or Equity (continued)

6. Capital Assets (continued)

Depreciation is calculated on the straight-line basis for all assets, except land and construction in progress. The following schedule details those thresholds.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ -	-
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note (4) for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount 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, Miss. Code Ann. (1972). Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

8. Long-Term Liabilities, Deferred Debt Expense, and Bond Issue Discounts/Premium

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note (5) for details.

9. Fund Equity

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

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

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, and Net Assets or Equity (continued)

9. Fund Equity (continued)

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

Reserved for Ad Valorem - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

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

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

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

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

(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 and investments 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.

The carrying amount of the school district's deposits with financial institutions in the governmental funds and fiduciary funds was \$3,031,175 and \$415,425, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$3,031,175. The bank balance was \$3,711,798.

Custodial Credit Risk - Deposits - Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(3) Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

A. Due From/Due To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	PL 94-142 Fund	\$ 14,334
General Fund	Other Governmental Funds	7,822
Other Governmental Funds	General Fund	3,513
Total		<u>\$ 25,669</u>

Interfund receivables and payables resulted primarily from the general fund's loans to various special revenue funds to cover cash deficits in pooled bank accounts.

B. Interfund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 185,950
Total		<u>\$ 185,950</u>

Interfund transfers were made by the general fund to the debt service fund for the payment of long-term liabilities.

(4) Capital Assets

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

	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance 6/30/08</u>
Non-Depreciable Capital Assets					
Land	\$ 102,827	\$ -	\$ -	\$ -	\$ 102,827
Construction in Progress	688,415	9,512	-	(697,927)	-
Total Non-Depreciable Capital Assets	<u>791,242</u>	<u>9,512</u>	<u>-</u>	<u>(697,927)</u>	<u>102,827</u>
Depreciable Capital Assets:					
Buildings	3,423,483	-	-	697,927	4,121,410
Building Improvements	63,757	-	-	-	63,757
Improvements Other than Buildings	58,334	-	-	-	58,334
Mobile Equipment	902,768	196,500	-	-	1,099,268
Furniture and Equipment	170,539	-	-	-	170,539
Total Depreciable Capital Assets	<u>4,618,881</u>	<u>196,500</u>	<u>-</u>	<u>697,927</u>	<u>5,513,308</u>
Less Accumulated Depreciation for:					
Buildings	1,896,943	41,470	-	-	1,938,413
Building Improvements	16,702	2,550	-	-	19,252
Improvements Other than Buildings	23,332	2,333	-	-	25,665
Mobile Equipment	638,660	52,601	-	-	691,261
Furniture and Equipment	144,263	7,376	-	-	151,639
Total Accumulated Depreciation	<u>2,719,900</u>	<u>106,330</u>	<u>-</u>	<u>-</u>	<u>2,826,230</u>
Total Depreciable Capital Assets, Net	<u>1,898,981</u>	<u>90,170</u>	<u>-</u>	<u>697,927</u>	<u>2,687,078</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,690,223</u>	<u>\$ 99,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,789,905</u>

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(4) Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 46,109
Support Services	57,222
Non-Instructional Services	2,999
Total Depreciation Expense	\$ 106,330

(5) Long-Term Liabilities

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

	Balance 7/1/07	Additions	Reductions	Balance 6/30/08	Amounts Due Within One Year
A. Limited Obligation Bonds Payable	\$ 230,000	\$ -	\$ 180,000	\$ 50,000	\$ 50,000
B. Three Mill Notes Payable	-	72,100	-	72,100	72,100
C. Compensated Absences Payable	90,046	31,081	-	121,127	-
Total	\$ 320,046	\$ 103,181	\$ 180,000	\$ 243,227	\$ 122,100

A. Limited Obligation Bonds Payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement, Series 1998	4.25%	3/1/1998	8/1/2008	\$ 1,350,000	\$ 50,000
Total				\$ 1,350,000	\$ 50,000

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

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 50,000	\$ 1,063	\$ 51,063
Total	\$ 50,000	\$ 1,063	\$ 51,063

This debt will be retired from the MAEP Retirement Fund.

**NORTH TIPPAAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(5) Long-Term Liabilities (Continued)

B. Three Mill Notes Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2007	5.00%	10/18/2007	10/18/2008	\$ 72,100	\$ 72,100
Total				\$ 72,100	\$ 72,100

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 72,100	\$ 3,605	\$ 75,705
Total	\$ 72,100	\$ 3,605	\$ 75,705

This debt will be retired from the Three Mill Note Retirement Fund.

C. Compensated Absences Payable.

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

(6) Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800 444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008, was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The North Tippah School District's contributions to PERS for the years ending June 30, 2008, 2007, and 2006, were \$723,480, \$660,409, and \$624,714, respectively, which equaled the required contributions for each year.

(7) Risk Management

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

**NORTH TIPPAAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(7) Risk Management (Continued)

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

On September 30, 2005, the North Tippah School District was assessed an additional assessment of \$1,455, based upon its years of membership in the MSBAWCT. This assessment is allowed to be repaid at a rate of 5% of their current premium per year until the total assessment is fully paid as long as the district continues as a member. If a member leaves the pool, they must repay the complete balance of the assessment within two years in equal installments.

(8) Vocational School Center

The school district entered into a Vocational Educational Agreement dated August 24, 1981, creating the North and South Tippah County Vocational-Technical Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the North Tippah School District and the South Tippah School District. The name of the center has been changed to the Tippah Career and Technology Center.

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

The South Tippah School District has been designated as the fiscal agent for the Tippah Career and Technology Center, and the operations of the consortium are included in its financial statements.

(9) 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. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements.

**NORTH TIPPAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local Sources	\$ 1,797,425	\$ 1,657,123	\$ 1,657,123	\$ (140,302)	\$ -
State Sources	7,284,044	7,170,724	7,170,724	(113,320)	-
Federal Sources	180,994	148,516	148,516	(32,478)	-
Total Revenues	9,262,463	8,976,363	8,976,363	(286,100)	-
Expenditures					
Instruction	5,485,687	5,380,751	5,380,751	104,936	-
Support Services	3,397,534	3,098,500	3,098,500	299,034	-
Non-Instructional Services	157,910	163,114	163,114	(5,204)	-
Facilities Acquisition and Construction	314,934	9,512	9,512	305,422	-
Total Expenditures	9,356,065	8,651,877	8,651,877	704,188	-
Excess (Deficiency) of Revenues over Expenditures	(93,602)	324,486	324,486	418,088	-
Other Financing Sources (Uses)					
Proceeds of Loans	72,100	72,100	72,100	-	-
Insurance Loss Recoveries	-	17,264	17,264	17,264	-
Operating Transfers Out	(293,384)	(185,950)	(185,950)	107,434	-
Operating Transfers Out	-	(72,100)	(72,100)	(72,100)	-
Total Other Financing Sources (Uses)	(221,284)	(168,686)	(168,686)	52,598	-
Net Change in Fund Balance	(314,886)	155,800	155,800	470,686	-
Fund Balances					
July 1, 2007	2,762,555	2,762,555	2,762,555	-	-
June 30, 2008	\$ 2,447,669	\$ 2,918,355	\$ 2,918,355	\$ 470,686	\$ -

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

**NORTH TIPPAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE PL 94-142 FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Federal Sources	\$ 359,057	\$ 324,031	\$ 324,031	\$ (35,026)	\$ -
Total Revenues	<u>359,057</u>	<u>324,031</u>	<u>324,031</u>	<u>(35,026)</u>	<u>-</u>
Expenditures					
Instruction	237,677	197,025	197,025	40,652	-
Support Services	131,113	127,006	127,006	4,107	-
Total Expenditures	<u>368,790</u>	<u>324,031</u>	<u>324,031</u>	<u>44,759</u>	<u>-</u>
Net Change in Fund Balance	(9,733)	-	-	9,733	-
Fund Balances					
July 1, 2007	-	-	-	-	-
June 30, 2008	<u>\$ (9,733)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,733</u>	<u>\$ -</u>

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

**NORTH TIPPAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE IV FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Federal Sources	\$ 9,954	\$ 8,952	\$ 8,952	\$ (1,002)	\$ -
Total Revenues	<u>9,954</u>	<u>8,952</u>	<u>8,952</u>	<u>(1,002)</u>	<u>-</u>
Expenditures					
Instruction	8,962	4,327	4,327	4,635	-
Support Services	5,000	4,625	4,625	375	-
Total Expenditures	<u>13,962</u>	<u>8,952</u>	<u>8,952</u>	<u>5,010</u>	<u>-</u>
Net Change in Fund Balance	(4,008)	-	-	4,008	-
Fund Balances					
July 1, 2007	-	-	-	-	-
June 30, 2008	<u>\$ (4,008)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,008</u>	<u>\$ -</u>

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

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

NORTH TIPPAH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 144,955
National school lunch program	10.555	383,811
Total Child Nutrition Cluster		<u>528,766</u>
Total Passed-through MDE		<u>528,766</u>
Total U.S. Department of Agriculture		<u>528,766</u>
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Health and Human Services:		
Medical Assistance Program	93.778	73,900
Total U.S. Department of Health and Human Services		<u>73,900</u>
Federal Communications Commission		
Administered through the Universal Service Administration Company:		
The schools and libraries program of the Universal Service Fund	32.XXX	39,534
Total Federal Communications Commission		<u>39,534</u>
U.S. Department of Education		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	182
Passed-through Mississippi Department of Education:		
Special Education Cluster		
Special education - grants to states	84.027	331,722
Special education - preschool grants	84.173	14,788
Total Special Education Cluster		<u>346,510</u>
Title I grants to local educational agencies	84.010	246,367
Safe & drug-free schools and communities-state grants	84.186	3,004
State grants for innovative programs	84.298	2,137
Improving teacher quality - state grants	84.367	90,119
Total Passed-through MDE		<u>688,137</u>
Total U.S. Department of Education		<u>688,319</u>
Total for All Federal Awards		<u>\$ 1,330,519</u>

Notes to Schedule

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

**NORTH TIPPAAH SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES -
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008**

<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	\$ 8,098,433	\$ 6,262,069	\$ 297,014	\$ 686,517	\$ 852,833
Other	<u>2,507,243</u>	<u>498,856</u>	<u>82,615</u>	<u>70,936</u>	<u>1,854,836</u>
Total	<u>\$ 10,605,676</u>	<u>\$ 6,760,925</u>	<u>\$ 379,629</u>	<u>\$ 757,453</u>	<u>\$ 2,707,669</u>
Total number of students	<u>1,314</u>				
Cost per student	<u>\$ 8,071</u>	<u>\$ 5,145</u>	<u>\$ 289</u>	<u>\$ 576</u>	<u>\$ 2,061</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers' aides, or classroom assistants of any type. (all the 1000, 2100, & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s)

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

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

*Includes the number of students reported on the ADA report submission for month 9, which is the final submission for the year.

"UNAUDITED"

**NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GENERAL FUNDS - LAST FOUR YEARS**

	2008	2007*	2006*	2005*
Revenues				
Local Sources	\$ 1,657,123	\$ 1,733,087	\$ 1,541,201	\$ 1,530,870
State Sources	7,170,724	6,633,032	6,367,654	6,348,570
Federal Sources	148,516	128,439	83,011	69,914
Total Revenues	<u>8,976,363</u>	<u>8,494,558</u>	<u>7,991,866</u>	<u>7,949,354</u>
Expenditures				
Instruction	5,380,751	5,020,966	4,913,526	4,508,472
Support Services	3,098,500	2,772,703	2,730,828	2,490,951
Non-Instructional Services	163,114	154,833	168,826	177,210
Facilities Acquisition and Construction	9,512	481,506	54,900	-
Total Expenditures	<u>8,651,877</u>	<u>8,430,008</u>	<u>7,868,080</u>	<u>7,176,633</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>324,486</u>	<u>64,550</u>	<u>123,786</u>	<u>772,721</u>
Other Financing Sources (Uses)				
Proceeds of Loans	72,100	-	-	-
Insurance Loss Recoveries	17,264	405	64,591	-
Sale of Transportation Equipment	-	-	2,108	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	(185,950)	(183,120)	(69,925)	(340,987)
Other Financing Uses	(72,100)	-	-	-
Total Other Financing Sources (Uses)	<u>(168,686)</u>	<u>(182,715)</u>	<u>(3,226)</u>	<u>(340,987)</u>
Net Change in Fund Balances	155,800	(118,165)	120,560	431,734
Fund Balances:				
Beginning of Year	<u>2,762,555</u>	<u>2,880,720</u>	<u>2,760,160</u>	<u>2,328,426</u>
End of Year	<u>\$ 2,918,355</u>	<u>\$ 2,762,555</u>	<u>\$ 2,880,720</u>	<u>\$ 2,760,160</u>

* Source: Prior Year Audit Reports

"UNAUDITED"

**NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUNDS - LAST FOUR YEARS**

	2008	2007*	2006*	2005*
Revenues				
Local Sources	\$ 1,857,668	\$ 1,938,169	\$ 1,733,773	\$ 1,698,924
State Sources	7,519,320	6,973,964	6,779,892	6,512,959
Federal Sources	1,374,672	1,433,424	1,285,048	1,262,003
Total Revenues	10,751,660	10,345,557	9,798,713	9,473,886
Expenditures				
Instruction	6,179,417	5,870,790	5,799,400	5,473,362
Support Services	3,408,598	3,075,958	3,117,990	2,769,088
Non-Instructional Services	822,199	787,651	768,166	732,878
Facilities Acquisition and Construction	9,512	531,540	54,900	33,156
Debt Service:				
Principal	180,000	170,000	172,672	167,672
Interest	5,950	13,388	20,837	27,531
Total Expenditures	10,605,676	10,449,327	9,933,965	9,203,687
Excess (Deficiency) of Revenues Over Expenditures	145,984	(103,770)	(135,252)	270,199
Other Financing Sources (Uses)				
Proceeds of Loans	72,100	-	-	-
Insurance Loss Recoveries	17,264	405	64,591	-
Sale of Transportation Equipment	-	-	2,108	-
Operating Transfers In	185,950	183,120	69,925	340,987
Operating Transfers Out	(185,950)	(183,120)	(69,925)	(340,987)
Other Financing Uses	(72,100)	-	-	-
Total Other Financing Sources (Uses)	17,264	405	66,699	-
Net Change in Fund Balances	163,248	(103,365)	(68,553)	270,199
Fund Balances:				
Beginning of Year	3,035,528	3,134,488	3,202,262	2,945,741
Prior Period Adjustments	-	-	-	(17,786)
Beginning of Year, as Restated	3,035,528	3,134,488	3,202,262	2,927,955
Increase (Decrease) in Reserve for Inventory	(1,399)	4,405	779	4,108
End of Year	\$ 3,197,377	\$ 3,035,528	\$ 3,134,488	\$ 3,202,262

* Source: Prior Year Audit Reports

NORTH TIPPAH SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANTS
LOCATIONS IN CORINTH, MS & BOONEVILLE, MS

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

Superintendent and School Board
North Tippah School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Tippah School District as of and for the year ended June 30, 2008, which collectively comprise North Tippah School District's basic financial statements and have issued our report thereon dated August 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the school district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

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

Compliance and Other Matters

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

We noted a certain immaterial instance of noncompliance that we have reported to management of the school district in a separate letter dated August 5, 2009, which is included in this report.

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

Braun VanStony & Company, P. A.

August 5, 2009
Corinth, Mississippi



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Superintendent and School Board
North Tippah School District

Compliance

We have audited the compliance of the North Tippah School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. North Tippah County School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the North Tippah School District's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, North Tippah School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

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

Branan Vamston & Company, P. A.

August 5, 2009
Corinth, Mississippi



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
North Tippah School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Tippah School District as of and for the year ended June 30, 2008, which collectively comprise North Tippah School District's basic financial statements and have issued our report thereon dated August 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$10,053 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding MS2008-1

Section 27-39-207, Miss. Code Ann. (1972) states, in part, "Unless the increased revenue in a budget is derived solely from the expansion of a school district's ad valorem tax base, a school district shall not budget an increase in ad valorem tax effort in dollars for support of the school district unless it first advertises its intention to do so at the same time that it advertises its intention to fix its budget for the next fiscal year." During our test of compliance regarding the Limitation on Ad Valorem Taxes, we noted the school district did not advertise its intention to increase ad valorem taxes as required by the statute. Therefore, the fiscal year 2007-2008 ad valorem tax request is limited to the calculated base amount only, with no provision for increases due to new programs or new property. As a result, the district requested and received more than allowable, causing the district to have a tax escrow at June 30, 2008, in the amount of \$58,349, which has been reserved.

Recommendation

We recommend the school district comply with the applicable code sections regarding the limitation on ad valorem taxes concerning proper advertising of its intention.

School District's Response

We will comply with this recommendation.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

The North Tippah School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Brammer Vanstony & Company, P. A.

August 5, 2009
Corinth, Mississippi

**NORTH TIPPAAH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONS COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditors' report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weakness (es) identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section __.510 (a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Special Education Cluster
CFDA #84.027
CFDA #84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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

