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NORTH TIPPAH SCHOOL DISTRICT

Audited Financial Statements

For the Year Ended June 30, 2011

M. M. WINKLER & ASSOCIATES
Certified Public Accountants
Tupelo, Mississippi

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FINANCIAL AUDIT REPORT

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**INDEPENDENT AUDITOR'S 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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, as of June 30, 2011, 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 June 14, 2012, on our consideration of the North Tippah School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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

- Continued -

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

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Tippah School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, 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 do not express an opinion or provide any assurance on it.

M. M. Winkler & Associates

June 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NORTH TIPPAAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

The following discussion and analysis of North Tippah School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$430,344, which represents a 7.15% increase from fiscal year 2010. Total net assets for 2010 increased \$199,298, which represents a 3.42% increase from fiscal year 2009.
- General revenues amounted to \$8,064,424 and \$7,647,069, or 75.90% and 73.41% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,561,237 or 24.10% of total revenues for 2011, and \$2,770,328 or 26.59% of total revenues for 2010.
- The District had \$10,195,317 and \$10,218,099 in expenses for fiscal years 2011 and 2010; only \$2,561,237 for 2011 and \$2,770,328 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,064,424 for 2011 and \$7,647,069 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,805,515 in revenues and \$7,394,329 in expenditures for 2011, and \$7,807,598 in revenues and \$7,773,772 in expenditures for 2010. The General Fund's fund balance increased by \$727,589 from 2010 to 2011, and decreased by \$24,867 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$90,665 for 2011 and increased by \$54,124 for 2010. The net decrease for 2011 was due to the addition of land and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$249,000 for 2011 due primarily to the issuance of three mill notes payable. There was no long-term debt activity in 2010. The liability for compensated absences increased by \$4,073 for 2011 and by \$2,185 for 2010.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the District's net 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 periods.

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

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

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

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

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

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

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

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

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

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

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

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

Required Supplemental Information. In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$6,453,178 as of June 30, 2011.

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 as of June 30, 2011 and June 30, 2010.

Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 3,715,034	\$ 2,927,362	26.91%
Capital assets, net	3,147,023	3,237,688	-2.80%
Total assets	<u>6,862,057</u>	<u>6,165,050</u>	11.31%
Current liabilities	183,161	24,571	645.44%
Long-term liabilities	225,718	117,645	91.86%
Total liabilities	<u>408,879</u>	<u>142,216</u>	187.51%
Net assets:			
Invested in capital assets, net of related debt	2,898,023	3,237,688	-10.49%
Restricted	513,036	291,845	75.79%
Unrestricted	3,042,119	2,493,301	22.01%
Total net assets	<u>\$ 6,453,178</u>	<u>\$ 6,022,834</u>	7.15%

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

- Issuance of three mill notes payable in the amount of \$395,000.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$10,625,661 and \$10,417,397, respectively. The total cost of all programs and services was \$10,195,317 for 2011 and \$10,218,099 for 2010.

The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Changes in Net Assets

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 569,882	\$ 536,604	6.20%
Operating grants and contributions	1,991,355	2,233,724	-10.85%
General revenues:			
Property taxes	1,211,887	1,206,791	0.42%
Grants and contributions not restricted	6,743,242	6,292,878	7.16%
Investment earnings	68,684	64,503	6.48%
Other	40,611	82,897	-51.01%
Total revenues	<u>10,625,661</u>	<u>10,417,397</u>	<u>2.00%</u>
Expenses:			
Instruction	6,255,523	6,368,254	-1.77%
Support services	3,109,887	3,047,284	2.05%
Non-instructional	826,765	802,561	3.02%
Interest on long-term liabilities	3,142	-	NA
Total expenses	<u>10,195,317</u>	<u>10,218,099</u>	<u>-0.22%</u>
Increase in net assets	430,344	199,298	115.93 %
Net Assets, July 1	<u>6,022,834</u>	<u>5,823,536</u>	<u>3.42%</u>
Net Assets, June 30	<u>\$ 6,453,178</u>	<u>\$ 6,022,834</u>	<u>7.15%</u>

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 functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 6,255,523	\$ 6,368,254	-1.77%
Support services	3,109,887	3,047,284	2.05%
Non-instructional	826,765	802,561	3.02%
Interest on long-term liabilities	3,142	-	NA
Total expenses	<u>\$ 10,195,317</u>	<u>\$ 10,218,099</u>	<u>-0.22%</u>

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (4,803,952)	\$ (4,635,208)	3.64%
Support services	(2,764,287)	(2,738,075)	0.96%
Non-instructional	(62,699)	(74,488)	-15.83%
Interest on long-term liabilities	(3,142)	-	NA
Total net (expense) revenue	\$ (7,634,080)	\$ (7,447,771)	2.50%

- Net cost of governmental activities, (\$7,634,080 for 2011 and \$7,447,771 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$1,211,887 for 2011 and \$1,206,791 for 2010) and state and federal revenues (\$6,743,242 for 2011 and \$6,292,878 for 2010).
- Investment earnings amounted to \$68,684 for 2011 and \$64,503 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,677,803, an increase of \$775,012, which includes an increase in reserve for inventory of \$4,056. \$2,984,872 or 81.16% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$692,931 or 18.84% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$727,589. The fund balance of Other Governmental Funds showed an increase of \$47,423, which includes an increase in reserve for inventory of \$4,056. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
PL 94-142 Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$6,323,553, including land, construction in progress, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$32,153 from 2010. Total accumulated depreciation as of June 30, 2011 was \$3,176,530 and total depreciation expense for the year was \$131,136, resulting in total net capital assets of \$3,147,023.

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 100,780	\$ 98,800	2.00%
Construction in progress	64,965	64,965	0.00%
Buildings	2,058,588	2,100,057	-1.97%
Building improvements	503,630	526,550	-4.35%
Improvements other than buildings	25,667	28,001	-8.34%
Mobile equipment	349,619	399,732	-12.54%
Furniture and equipment	43,774	19,583	123.53%
Net Capital Assets	\$ 3,147,023	\$ 3,237,688	-2.80%

Additional information on the District's capital assets can be found in Note 4 included in this report.

Debt Administration. At June 30, 2011, the District had \$249,000 in outstanding long-term debt, of which \$145,000 is due within one year. The liability for compensated absences increased \$4,073 from the prior year.

Outstanding Long-Term Debt

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Three mill note payable	\$ 249,000	\$ -	NA
Compensated absences payable	121,718	117,645	3.46%
Total	\$ 370,718	\$ 117,645	215.12%

Additional information of the District's long-term debt can be found in Note 5 included in 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 financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2010-2011 year decreased by 1.5% to 1,314 students.

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, Tiptersville, MS 38674.

FINANCIAL STATEMENTS

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NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit A

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 3,441,468
Due from other governments	238,076
Other receivables, net	2,753
Inventories	23,761
Prepaid items	8,976
Capital assets, non-depreciable:	
Land	100,780
Construction in progress	64,965
Capital assets, net of accumulated depreciation:	
Buildings	2,058,588
Building improvements	503,630
Improvements other than buildings	25,667
Mobile equipment	349,619
Furniture and equipment	43,774
Total Assets	<u>\$ 6,862,057</u>
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 37,231
Interest payable on long-term liabilities	930
Long-term liabilities, due within one year:	
Capital related liabilities	145,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	104,000
Non-capital related liabilities	121,718
Total Liabilities	<u>\$ 408,879</u>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 2,898,023
Restricted net assets:	
Expendable:	
School-based activities	389,234
Debt service	109,378
Unemployment benefits	14,424
Unrestricted	3,042,119
Total Net Assets	<u>\$ 6,453,178</u>

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

NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 6,255,523	\$ 372,729	\$ 1,078,842	\$ (4,803,952)
Support services	3,109,887	-	345,600	(2,764,287)
Non-instructional services	826,765	197,153	566,913	(62,699)
Interest on long-term liabilities	3,142	-	-	(3,142)
Total Governmental Activities	\$ 10,195,317	\$ 569,882	\$ 1,991,355	\$ (7,634,080)
General Revenues:				
Taxes:				
General purpose levies				\$ 1,125,964
Debt purpose levies				85,923
Unrestricted grants and contributions:				
State				6,269,849
Federal				473,393
Unrestricted investment earnings				68,684
Other				40,611
Total General Revenues				\$ 8,064,424
Change in Net Assets				\$ 430,344
Net Assets - Beginning				6,022,834
Net Assets - Ending				\$ 6,453,178

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

**NORTH TIPPAAH SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Major Funds				Exhibit C	
	General Fund	Title J Fund	PL 94-142 Fund	Other Governmental Funds	Total Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 2,957,282	\$ -	\$ -	\$ 484,186	\$ 3,441,468	
Due from other governments	190,658	9,378	18,078	19,962	238,076	
Other receivables, net	2,753	-	-	-	2,753	
Due from other funds	34,235	-	-	-	34,235	
Inventories	-	-	-	23,761	23,761	
Prepaid items	8,440	-	-	536	8,976	
Total Assets	\$ 3,193,368	\$ 9,378	\$ 18,078	\$ 528,445	\$ 3,749,269	
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 29,531	\$ 304	\$ 1,209	\$ 6,187	\$ 37,231	
Due to other funds	-	9,074	16,869	8,292	34,235	
Total Liabilities	\$ 29,531	\$ 9,378	\$ 18,078	\$ 14,479	\$ 71,466	
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	\$ 23,761	\$ 23,761	
Prepaid items	8,440	-	-	536	8,976	
Restricted:						
Debt service	-	-	-	110,308	110,308	
Grant activities	-	-	-	97,010	97,010	
Unemployment benefits	-	-	-	14,424	14,424	
Other purposes	-	-	-	267,927	267,927	
Assigned:						
Other purposes	170,525	-	-	-	170,525	
Unassigned	2,984,872	-	-	-	2,984,872	
Total Fund Balances	\$ 3,163,837	\$ -	\$ -	\$ 513,966	\$ 3,677,803	
Total Liabilities and Fund Balances	\$ 3,193,368	\$ 9,378	\$ 18,078	\$ 528,445	\$ 3,749,269	

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

**NORTH TIPPAH SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Exhibit C-1

Total Fund Balances - Governmental Funds **\$ 3,677,803**

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:

Land	\$	100,780	
Construction in progress		64,965	
Buildings		4,121,410	
Building improvements		573,003	
Improvements other than buildings		58,334	
Mobile equipment		1,185,443	
Furniture and equipment		219,618	
Accumulated depreciation		<u>(3,176,530)</u>	3,147,023

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

Notes payable	\$	(249,000)	
Accrued interest payable		(930)	
Compensated absences payable		<u>(121,718)</u>	<u>(371,648)</u>

Net Assets - Governmental Activities **\$ 6,453,178**

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

**NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	PL 94-142 Fund	Other Governmental Funds	
REVENUES:					
Local sources	\$ 1,601,877	\$ -	\$ -	\$ 253,449	\$ 1,855,326
State sources	6,125,364	-	-	373,576	6,498,940
Federal sources	78,274	243,223	321,744	1,592,417	2,235,658
Total Revenues	\$ 7,805,515	\$ 243,223	\$ 321,744	\$ 2,219,442	\$ 10,589,924
EXPENDITURES:					
Instruction	\$ 4,560,531	\$ 195,565	\$ 235,935	\$ 1,182,729	\$ 6,174,760
Support services	2,717,978	11,189	85,809	248,447	3,063,423
Non-instructional services	115,820	-	-	747,489	863,309
Debt service:					
Principal	-	-	-	146,000	146,000
Interest	-	-	-	2,212	2,212
Total Expenditures	\$ 7,394,329	\$ 206,754	\$ 321,744	\$ 2,326,877	\$ 10,249,704
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 411,186	\$ 36,469	\$ -	\$ (107,435)	\$ 340,220
OTHER FINANCING SOURCES (USES):					
Bonds and notes issued	\$ 395,000	\$ -	\$ -	\$ -	\$ 395,000
Insurance recovery	-	-	-	35,736	35,736
Operating transfers in	-	-	-	115,066	115,066
Operating transfers out	(78,597)	(36,469)	-	-	(115,066)
Total Other Financing Sources (Uses)	\$ 316,403	\$ (36,469)	\$ -	\$ 150,802	\$ 430,736
NET CHANGE IN FUND BALANCES	\$ 727,589	\$ -	\$ -	\$ 43,367	\$ 770,956
FUND BALANCES:					
July 1, 2010	2,436,248	-	-	466,543	2,902,791
Increase in Reserve for Inventory	-	-	-	4,056	4,056
June 30, 2011	\$ 3,163,837	\$ -	\$ -	\$ 513,966	\$ 3,677,803

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

NORTH TIPPAH SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit D-1

Net Change in Fund Balances - Total Governmental Funds	\$	770,956
Amounts reported for governmental activities in the Statement of Activities are different because:		
1. Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	\$ 40,555	
Depreciation expense	<u>(131,136)</u>	(90,581)
2. In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		
		(84)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities:		
Bonds and notes issued	\$ (395,000)	
Payments of debt principal	146,000	
Accrued interest payable	<u>(930)</u>	(249,930)
4. Some items reported in the Statement of Activities do not provide or require the use of current financial resources, and therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	\$ (4,073)	
Change in inventory reserve	<u>4,056</u>	(17)
Change in Net Assets of Governmental Activities	\$	<u>430,344</u>

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

**NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2011**

Exhibit E

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ <u>601,512</u>
Total Assets	\$ <u><u>601,512</u></u>
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 548,342
Due to student clubs	<u>53,170</u>
Total Liabilities	\$ <u><u>601,512</u></u>

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

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NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

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

For financial reporting purposes, 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.

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements :

The Statement of Net Assets and the 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.

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 of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

**NORTH TIPPAAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

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

Title I Fund - This fund accounts for a federal grant which is used to supplement educational services for disadvantaged children.

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.

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

The District's fiduciary funds include the following:

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

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

School Club Funds - These funds are used to account for the transactions of student clubs.

NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the school district reports on the following fund types:

GOVERNMENTAL FUNDS

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

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

FIDUCIARY FUNDS

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

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

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 a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 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.

F. Assets, Liabilities, and Net Assets/Fund Balances

1. Cash and Cash Equivalents

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

**NORTH TIPPAAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Capital Assets

Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental 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 an initial, individual cost in excess of the thresholds in the table below.

**NORTH TIPPAAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The following schedule details the capitalization thresholds.

	Capitalization Policy	Estimated Useful Life
Land	\$0	0
Buildings	\$50,000	40 years
Building improvements	\$25,000	20 years
Improvements other than buildings	\$25,000	20 years
Mobile equipment	\$5,000	5-10 years
Furniture and equipment	\$5,000	3-7 years
Leased property under capital leases	*	*
Intangible assets	\$100,000	**

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

(**) The district has no intangible assets over the threshold.

6. Compensated Absences

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

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

7. Long-Term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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.

NORTH TIPPAAH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

8. Fund Balances

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

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

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

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

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

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

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

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used when accounting for depreciation and the liability for compensated absences. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by the 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 reported in the governmental funds and fiduciary funds was \$3,441,468 and \$601,512, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$3,441,468.

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.

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 9,074
General Fund	PL 94-142 Fund	16,869
General Fund	Other governmental funds	<u>8,292</u>
Total		<u>\$ 34,235</u>

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

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>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 78,597
Title I Fund	Other governmental funds	36,469
Total		<u>\$ 115,066</u>

Interfund transfers were made by the general fund to the debt service fund for the payment of long-term liabilities and from the Title I Fund to the Consolidated Administrative Cost Fund for federal program administrative costs.

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 98,800	\$ 1,980	\$ -	\$ 100,780
Construction in progress	64,965	-	-	64,965
Total non-depreciable capital assets	<u>\$ 163,765</u>	<u>\$ 1,980</u>	<u>\$ -</u>	<u>\$ 165,745</u>
<u>Depreciable capital assets:</u>				
Buildings	\$ 4,121,410	\$ -	\$ -	\$ 4,121,410
Building improvements	573,003	-	-	573,003
Improvements other than buildings	58,334	-	-	58,334
Mobile equipment	1,185,443	-	-	1,185,443
Furniture and equipment	189,445	38,575	8,402	219,618
Total depreciable capital assets	<u>\$ 6,127,635</u>	<u>\$ 38,575</u>	<u>\$ 8,402</u>	<u>\$ 6,157,808</u>
<u>Less accumulated depreciation for:</u>				
Buildings	\$ 2,021,353	\$ 41,469	\$ -	\$ 2,062,822
Building improvements	46,453	22,920	-	69,373
Improvements other than buildings	30,333	2,334	-	32,667
Mobile equipment	785,711	50,113	-	835,824
Furniture and equipment	169,862	14,300	8,318	175,844
Total accumulated depreciation	<u>\$ 3,053,712</u>	<u>\$ 131,136</u>	<u>\$ 8,318</u>	<u>\$ 3,176,530</u>
Total depreciable capital assets, net	<u>\$ 3,073,923</u>	<u>\$ (92,561)</u>	<u>\$ 84</u>	<u>\$ 2,981,278</u>
Governmental activities capital assets, net	<u>\$ 3,237,688</u>	<u>\$ (90,581)</u>	<u>\$ 84</u>	<u>\$ 3,147,023</u>

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental Activities:	
Instruction	\$ 78,724
Support services	46,956
Non-instructional services	5,456
Total depreciation expense	\$ 131,136

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
A. Three mill note payable	\$ -	\$395,000	\$146,000	\$ 249,000	\$ 145,000
B. Compensated absences payable	117,645	4,073	-	121,718	-
Total	\$ 117,645	\$399,073	\$146,000	\$ 370,718	\$ 145,000

A. Three mill note payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited-Tax Note, Series 2011	2.24%	2/1/2011	5/1/2013	\$ 395,000	\$ 249,000

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

Three mill note payable issue of 2011:

Year Ending June 30	Principal	Interest	Total
2012	\$ 145,000	\$ 5,578	\$150,578
2013	104,000	2,330	106,330
	\$ 249,000	\$ 7,908	\$256,908

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

**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 5 - LONG-TERM LIABILITIES (Continued)

B. 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.

NOTE 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy

PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011, was 12.00% 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 school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010, and 2009 were \$704,490, \$716,398, and \$723,871, respectively, which equaled the required contributions for each year.

NOTE 7 - CONTINGENCIES

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

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

NOTE 8 - RISK MANAGEMENT

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

**NORTH TIPPAAH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 8 - 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 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

NOTE 9 - VOCATIONAL SCHOOL CONSORTIUM

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 was 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 center are included in its financial statements.

**NORTH TIPPAH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 10 - INSURANCE LOSS RECOVERIES

The North Tippah School District received \$35,736 in insurance loss recoveries related to asbestos and water damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

<u>Insurance Loss Recoveries</u>	<u>Percentage</u>	<u>Expense Function</u>
\$ 35,736	100%	Non-instructional services

NOTE 11 - SUBSEQUENT EVENTS

The management of the North Tippah School District has evaluated all events and transactions that occurred after June 30, 2011, up through June 14, 2012, the date on which these financial statements were available to be issued; and determined that no subsequent events have occurred during this period that required recognition or disclosure in these financial statements.

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REQUIRED SUPPLEMENTAL INFORMATION

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NORTH TIPPAAH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2011

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 1,646,133	\$ 1,601,877	\$ 1,601,877	\$ (44,256)	\$ -
State sources	5,426,100	6,125,364	6,125,364	699,264	-
Federal sources	54,204	78,274	78,274	24,070	-
Total Revenues	\$ 7,126,437	\$ 7,805,515	\$ 7,805,515	\$ 679,078	\$ -
EXPENDITURES:					
Instruction	\$ 5,034,806	\$ 4,560,531	\$ 4,560,531	\$ 474,275	\$ -
Support services	3,359,683	2,717,978	2,717,978	641,705	-
Non-instructional services	132,100	115,820	115,820	16,280	-
Total Expenditures	\$ 8,526,589	\$ 7,394,329	\$ 7,394,329	\$ 1,132,260	\$ -
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (1,400,152)	\$ 411,186	\$ 411,186	\$ 1,811,338	\$ -
OTHER FINANCING SOURCES (USES):					
Bonds and notes issued	-	\$ 395,000	\$ 395,000	\$ 395,000	\$ -
Operating transfers in	188,014	118,773	-	(69,241)	(118,773)
Operating transfers out	(170,729)	(197,370)	(78,597)	(26,641)	118,773
Total Other Financing Sources (Uses)	\$ 17,285	\$ 316,403	\$ 316,403	\$ 299,118	\$ -
NET CHANGE IN FUND BALANCE	\$ (1,382,867)	\$ 727,589	\$ 727,589	\$ 2,110,456	\$ -
FUND BALANCE:					
July 1, 2010	2,436,248	2,436,248	2,436,248	-	-
June 30, 2011	\$ 1,053,381	\$ 3,163,837	\$ 3,163,837	\$ 2,110,456	\$ -

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

NORTH TIPPAH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I FUND
 FOR THE YEAR ENDED JUNE 30, 2011

Schedule 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Federal sources	\$ 223,871	\$ 243,223	\$ 243,223	\$ 19,352	\$ -
Total Revenues	\$ 223,871	\$ 243,223	\$ 243,223	\$ 19,352	\$ -
EXPENDITURES:					
Instruction	\$ 291,205	\$ 195,565	\$ 195,565	\$ 95,640	\$ -
Support services	57,334	11,189	11,189	46,145	-
Total Expenditures	\$ 348,539	\$ 206,754	\$ 206,754	\$ 141,785	\$ -
Excess (Deficiency) of Revenues over Expenditures	\$ (124,668)	\$ 36,469	\$ 36,469	\$ 161,137	\$ -
OTHER FINANCING SOURCES (USES):					
Operating transfers out	-	(36,469)	(36,469)	(36,469)	-
NET CHANGE IN FUND BALANCE	\$ (124,668)	\$ -	\$ -	\$ 124,668	\$ -
FUND BALANCE:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ (124,668)	\$ -	\$ -	\$ 124,668	\$ -

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

NORTH TIPPAAH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE PL 94-142 FUND
 FOR THE YEAR ENDED JUNE 30, 2011

Schedule 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Federal sources	\$ 344,636	\$ 321,744	\$ 321,744	\$ (22,892)	\$ -
Total Revenues	\$ 344,636	\$ 321,744	\$ 321,744	\$ (22,892)	\$ -
EXPENDITURES:					
Instruction	\$ 248,380	\$ 235,935	\$ 235,935	\$ 12,445	\$ -
Support services	102,356	85,809	85,809	16,547	-
Total Expenditures	\$ 350,736	\$ 321,744	\$ 321,744	\$ 28,992	\$ -
NET CHANGE IN FUND BALANCE	\$ (6,100)	\$ -	\$ -	\$ 6,100	\$ -
FUND BALANCE:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ (6,100)	\$ -	\$ -	\$ 6,100	\$ -

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

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**NORTH TIPPAH SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 - BUDGETARY COMPARISON SCHEDULES

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 is 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 schedule is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

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SUPPLEMENTAL INFORMATION

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**NORTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 169,414
National school lunch program	10.555	481,918
Total U.S. Department of Agriculture		<u>\$ 651,332</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the Universal Service Fund	32.XXX	\$ 23,695
Total Federal Communications Commission		<u>\$ 23,695</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	\$ 280
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and communities - state grants	84.186	\$ 8,086
Improving teacher quality - state grants	84.367	89,158
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	394,253
Education jobs fund	84.410	294,405
Subtotal		<u>\$ 785,902</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	\$ 243,223
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	9,045
Total Title I cluster		<u>\$ 252,268</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 321,400
Special education - preschool grants	84.173	8,962
ARRA - Special education grants to states, Recovery Act	84.391	129,847
ARRA - Special education - preschool grants, Recovery Act	84.392	2,235
Total special education cluster		<u>\$ 462,444</u>
Education technology cluster:		
Education technology state grants	84.318	\$ 1,334
ARRA - Education technology state grants, Recovery Act	84.386	2,956
Total education technology cluster		<u>\$ 4,290</u>
Total passed-through Mississippi Department of Education		<u>\$ 1,504,904</u>
Total U.S. Department of Education		<u>\$ 1,505,184</u>

NORTH TIPPAH SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	\$ <u>21,351</u>
Total U.S. Department of Health and Human Services		\$ <u>21,351</u>
Total for All Federal Awards		\$ <u><u>2,201,562</u></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 TIPPAH SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE,
 AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

Expenditures	Total	Instruction and Other Student			
		Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 7,898,410	\$ 6,121,725	\$ 284,821	\$ 658,990	\$ 832,874
Other	2,351,294	608,055	133,545	47,690	1,562,004
Total	\$ 10,249,704	\$ 6,729,780	\$ 418,366	\$ 706,680	\$ 2,394,878
Total number of students*	1,314				
Cost per student	\$ 7,800	\$ 5,121	\$ 318	\$ 538	\$ 1,823

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

1. **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.
2. **General Administration** - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. **School Administration** - includes expenditures for the following function: Support Services - School Administration.
4. **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 fiscal year.

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OTHER INFORMATION

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NORTH TIPPAAH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST FOUR YEARS
"UNAUDITED"

	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
REVENUES:				
Local sources	\$ 1,601,877	\$ 1,574,566	\$ 1,577,962	\$ 1,657,123
State sources	6,125,364	6,116,649	6,890,126	7,170,724
Federal sources	<u>78,274</u>	<u>116,383</u>	<u>119,893</u>	<u>148,516</u>
Total Revenues	\$ <u>7,805,515</u>	\$ <u>7,807,598</u>	\$ <u>8,587,981</u>	\$ <u>8,976,363</u>
EXPENDITURES:				
Instruction	\$ 4,560,531	\$ 4,847,418	\$ 5,411,666	\$ 5,380,751
Support services	2,717,978	2,730,289	2,878,419	3,098,500
Non-instructional services	115,820	130,710	150,384	163,114
Facilities acquisition and construction	<u>-</u>	<u>65,355</u>	<u>463,610</u>	<u>9,512</u>
Total Expenditures	\$ <u>7,394,329</u>	\$ <u>7,773,772</u>	\$ <u>8,904,079</u>	\$ <u>8,651,877</u>
Excess (Deficiency) of Revenues over (under) Expenditures	\$ <u>411,186</u>	\$ <u>33,826</u>	\$ <u>(316,098)</u>	\$ <u>324,486</u>
OTHER FINANCING SOURCES (USES):				
Bonds and notes issued	\$ 395,000	\$ -	\$ -	\$ 72,100
Insurance loss recoveries	-	-	-	17,264
Sale of other property	-	-	72,225	-
Operating transfers in	-	48,537	-	-
Operating transfers out	(78,597)	(107,230)	(213,367)	(185,950)
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,100)</u>
Total Other Financing Sources (Uses)	\$ <u>316,403</u>	\$ <u>(58,693)</u>	\$ <u>(141,142)</u>	\$ <u>(168,686)</u>
NET CHANGE IN FUND BALANCES	\$ 727,589	\$ (24,867)	\$ (457,240)	\$ 155,800
FUND BALANCES:				
July 1	<u>2,436,248</u>	<u>2,461,115</u>	<u>2,918,355</u>	<u>2,762,555</u>
June 30	\$ <u>3,163,837</u>	\$ <u>2,436,248</u>	\$ <u>2,461,115</u>	\$ <u>2,918,355</u>

*SOURCE-PRIOR YEAR AUDIT REPORTS

NORTH TIPPAAH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS
"UNAUDITED"

	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
REVENUES:				
Local sources	\$ 1,855,326	\$ 1,890,795	\$ 1,790,298	\$ 1,857,668
State sources	6,498,940	6,400,908	7,187,940	7,519,320
Federal sources	<u>2,235,658</u>	<u>2,125,694</u>	<u>1,376,365</u>	<u>1,374,672</u>
Total Revenues	\$ <u>10,589,924</u>	\$ <u>10,417,397</u>	\$ <u>10,354,603</u>	\$ <u>10,751,660</u>
EXPENDITURES:				
Instruction	\$ 6,174,760	\$ 6,397,630	\$ 6,212,560	\$ 6,179,417
Support services	3,063,423	2,999,302	3,174,487	3,408,598
Non-instructional services	863,309	798,325	851,422	822,199
Facilities acquisition and construction	-	70,125	504,086	9,512
Debt service:				
Principal	146,000	-	122,100	180,000
Interest	<u>2,212</u>	<u>-</u>	<u>4,698</u>	<u>5,950</u>
Total Expenditures	\$ <u>10,249,704</u>	\$ <u>10,265,382</u>	\$ <u>10,869,353</u>	\$ <u>10,605,676</u>
Excess (Deficiency) of Revenues over (under) Expenditures	\$ <u>340,220</u>	\$ <u>152,015</u>	\$ <u>(514,750)</u>	\$ <u>145,984</u>
OTHER FINANCING SOURCES (USES):				
Bonds and notes issued	\$ 395,000	\$ -	\$ -	\$ 72,100
Insurance loss recoveries	35,736	-	-	17,264
Sale of other property	-	-	72,225	-
Operating transfers in	115,066	155,767	213,367	185,950
Operating transfers out	(115,066)	(155,767)	(213,367)	(185,950)
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,100)</u>
Total Other Financing Sources	\$ <u>430,736</u>	\$ <u>-</u>	\$ <u>72,225</u>	\$ <u>17,264</u>
NET CHANGE IN FUND BALANCES	\$ 770,956	\$ 152,015	\$ (442,525)	\$ 163,248
FUND BALANCES:				
July 1	2,902,791	2,755,432	3,197,377	3,035,528
Increase (Decrease) in Reserve for Inventory	<u>4,056</u>	<u>(4,656)</u>	<u>580</u>	<u>(1,399)</u>
June 30	\$ <u>3,677,803</u>	\$ <u>2,902,791</u>	\$ <u>2,755,432</u>	\$ <u>3,197,377</u>

*SOURCE-PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
North Tippah School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of North Tippah School District as of and for the year ended June 30, 2011, which collectively comprise North Tippah School District's basic financial statements and have issued our report thereon dated June 14, 2012. 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.

Internal Control Over Financial Reporting

Management of North Tippah School District is responsible for establishing and maintaining effective 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 opinion 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 school district's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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

- Continued -

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 certain matters that we reported to management of North Tippah School District in a separate letter dated June 14, 2012.

This report is intended solely for the information and use of the school board and 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.

M. M. Winkler & Associates

June 14, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 North Tippah School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of North Tippah School District's major federal programs for the year ended June 30, 2011. The North Tippah School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. 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 North Tippah 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 North Tippah 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 North Tippah School District's compliance with those requirements.

In our opinion, North Tippah School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 2011-1.

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 North Tippah School District's internal control over compliance with the requirements that could have a direct and

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

- Continued -

Internal Control Over Compliance – Continued

material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the North Tippah School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

North Tippah School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit the North Tippah School District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the school board and 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.

M. M. Winkler & Associates

June 14, 2012

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

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M. M. WINKLER & ASSOCIATES

Certified Public Accountants

221 Franklin Street - P. O. Box 499
Tupelo, Mississippi 38802
(662) 842-4641 or Fax (662) 842-4646
E-Mail info@mmwinkler.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
ON 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, 2011, which collectively comprise North Tippah School District's basic financial statements and have issued our report thereon dated June 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$8,583 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 instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

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

- Continued -

Finding MS2011-1

As previously reported, Section 71-5-359, Miss. Code Ann. (1972), requires that a school district should maintain sufficient cash and investment balances in the Unemployment Compensation Fund to cover at least 2% of applicable wages.

During our test of compliance, we noted that the Unemployment Compensation Fund's cash account was \$5,375 below the required minimum balance.

Recommendation: The school district should comply with Section 71-5-359, Miss. Code Ann. (1972).

Response: The school district shall comply.

Finding MS2011-2

Section 37-6-15, Section 37-9-31, and Section 37-39-21, Miss. Code Ann. (1972), requires that a school district obtain surety bonds for board members, principals and purchasing agents.

During our test of compliance, we noted that a board member and a principal/purchasing agent did not have the required surety bonds.

Recommendation: The school district should comply with Section 37-6-15, Section 37-9-31, and Section 37-39-21, Miss. Code Ann. (1972).

Response: The school district has obtained surety bonds for all board members, principals and purchasing agents.

Finding MS2011-3

Section 37-61-19, Miss. Code Ann. (1972), requires that the final amended budget be legally adopted by the school board on or before October 15th following the end of the fiscal year. The final amended budget for fiscal year 2011 was legally adopted by the school board on November 10th, 2011.

Recommendation: The School Board should comply with Section 37-61-19, Miss. Code Ann. (1972).

Response: The School Board will adopt the amended budget on or before October 15th.

Finding MS2011-4

One retired employee, who was rehired by the school district, was paid more than the amount on PERS Form 4B. Total wages exceeded the amount on PERS Form 4B by \$2,270.

Recommendation: The school district should implement procedures to ensure that retired employees are paid no more than the amount on the PERS Form 4B.

Response: The school district will insure that retired employees are paid no more than the amount on the PERS Form 4B.

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

- Continued -

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 insure that corrective action has been taken.

The North Tippah School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and 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.

M. M. Winkler & Associates

June 14, 2012

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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**NORTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011**

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None Reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | 4. | Internal control over major programs: | | | | | | | | | |
|-----------------------------------|---|---------------------|---|--------|--|--------|---------------------|-----------------------------------|---------------------------|--|
| | a. Material weakness(es) identified? | No | | | | | | | | |
| | b. Significant deficiency(ies) identified? | None Reported | | | | | | | | |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified | | | | | | | | |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes | | | | | | | | |
| 7. | Identification of major programs: | | | | | | | | | |
| | <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>CFDA Numbers</u></th> <th style="text-align: left;"><u>Name of Federal Program or Cluster</u></th> </tr> </thead> <tbody> <tr> <td>84.394</td> <td>ARRA-State Fiscal Stabilization Fund (SFSF)
-Education State Grants, Recovery Act</td> </tr> <tr> <td>84.410</td> <td>Education Jobs Fund</td> </tr> <tr> <td>84.027; 84.173;
84.391; 84.392</td> <td>Special Education Cluster</td> </tr> </tbody> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 84.394 | ARRA-State Fiscal Stabilization Fund (SFSF)
-Education State Grants, Recovery Act | 84.410 | Education Jobs Fund | 84.027; 84.173;
84.391; 84.392 | Special Education Cluster | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | | | |
| 84.394 | ARRA-State Fiscal Stabilization Fund (SFSF)
-Education State Grants, Recovery Act | | | | | | | | | |
| 84.410 | Education Jobs Fund | | | | | | | | | |
| 84.027; 84.173;
84.391; 84.392 | Special Education Cluster | | | | | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 | | | | | | | | |
| 9. | Auditee qualified as low-risk auditee? | No | | | | | | | | |

**NORTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2011

-Continued-

Section I: Summary of Auditor's Results – Continued

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 II: 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 III: Federal Award Findings and Questioned Costs

Audit finding disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133

Finding 2011 - 1.

Program: ARRA-Special Education-Grants to States; CFDA # 84.391; U.S. Department of Education; Passed through the Mississippi Department of Education

Compliance Requirement: Reporting

Condition: Reporting of expenditures into Federal Reporting.gov was less than a full quarter.

Criteria: Reporting of expenditures into Federal Reporting.gov of anything less than a full quarter is considered as non-compliant with 1512 reporting requirements.

Effect: The effect of the condition could result in not all expenditures being reported.

Cause

of the Condition: The cause of the condition was the result of a mistake made in the type of expenditures thought to be charged to the program.

Perspective: This matter is considered an isolated incident.

Recommendation: We recommend that reporting of expenditures be reviewed for completeness.

NORTH TIPPDAH SCHOOL DISTRICT

JUNIOR WOOTEN, SUPERINTENDENT

KURT KUTRIP
SPECIAL EDUCATION DIRECTOR

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TELEPHONE: 662-223-4384
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MARTHA TOMLINSON
TRANSPORTATION DIRECTOR

LINDA GUNN
FEDERAL PROGRAMS COORDINATOR

DARLENE COX
FOOD SERVICE ADM.

DEBRA KENNEDY
SCHOOL BUSINESS OFFICER

June 14, 2012

The North Tippah School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Finding and Questioned Costs for the year ended June 30, 2011.

Finding

Corrective Action Plan Details

- Finding 2011 - 1.
- a. Person responsible: Debra Kennedy, Business Manager
 - b. Corrective action plan
 - The business manager will ensure reports are accurate.
 - c. Anticipated completion date: 6/14/2012

Sincerely,
Debra Kennedy
Business Manager

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