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**SOUTH TIPPAH SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

**SOUTH TIPPAH SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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INDEPENDENT AUDITORS' REPORT

EATON, BABB & SMITH

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
South 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 South Tippah School District as of and for the year ended June 30, 2011, which collectively comprise the South Tippah School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South 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 the 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 opinion. An audit also 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 previously 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 South 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 November 30, 2011, on our consideration of the South 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 operational, 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 the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South 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 prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South 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.

Eaton, Babb & Smith

Ripley, Mississippi
November 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of South Tappah 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 \$2,343,381, which represents a 12.79% increase from fiscal year 2010. Total net assets for 2010 increased \$62,895, which represents a 0.34% increase from fiscal year 2009.
- General revenues amounted to \$16,867,187 and \$16,339,421, or 72.76% and 75.60% 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 \$6,315,341, or 27.24% of total revenues for 2011, and \$5,273,674, or 24.40% of total revenues for 2010.
- The District had \$20,839,147 and \$21,550,200 in expenses for fiscal years 2011 and 2010; only \$6,315,341 for 2011 and \$5,273,674 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$16,867,187 for 2011 and \$16,339,421 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,897,103 in revenues and \$13,515,067 in expenditures for 2011, and \$15,383,629 in revenues and \$15,301,360 in expenditures for 2010. The General Fund's fund balance increased by \$2,198,488 from 2010 to 2011, and increased by \$376,654 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$770,003 for 2011 and decreased by \$208,960 for 2010. The increase for 2011 was due to the addition of construction costs, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$265,184 for 2011 and increased by \$2,253,388 for 2010. The decrease for 2011 was due to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$14,030 for 2011 and increased by \$10,723 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required 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 schedule 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.

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

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, are 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 \$20,665,371 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.

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

**Table 1
Condensed Statement of Net Assets**

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	\$ 4,794,807	\$ 2,285,398	109.80%
Restricted assets	1,153,880	2,171,637	-46.87%
Capital assets, net	17,773,252	17,003,249	4.53%
Total assets	23,721,939	21,460,284	10.54%
Current liabilities	535,195	351,737	52.16%
Long-term debt outstanding	2,521,373	2,786,557	-9.52%
Total liabilities	3,056,568	3,138,294	-2.60%
Net assets:			
Invested in capital assets, net of related debt	15,773,252	15,003,249	5.13%
Restricted	1,839,133	2,727,953	-32.58%
Unrestricted	3,052,986	590,788	416.77%
Total net assets	\$ 20,665,371	\$ 18,321,990	12.79%

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

- Increase in net capital assets in the amount of \$770,003.
- The principal retirement of \$251,154 of long-term debt.

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

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$23,182,528 and \$21,613,095, respectively. The total cost of all programs and services was \$20,839,147 for 2011 and \$21,550,200 for 2010.

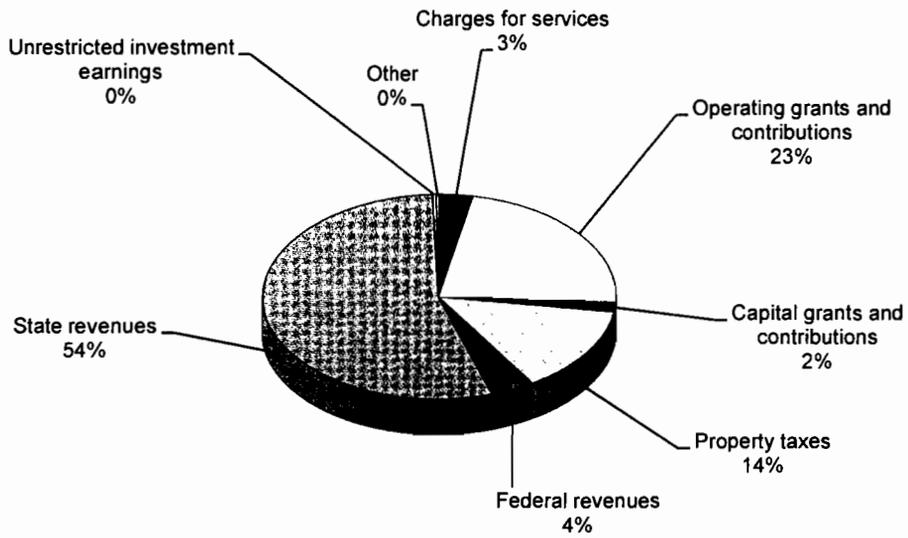
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 2
Changes in Net Assets**

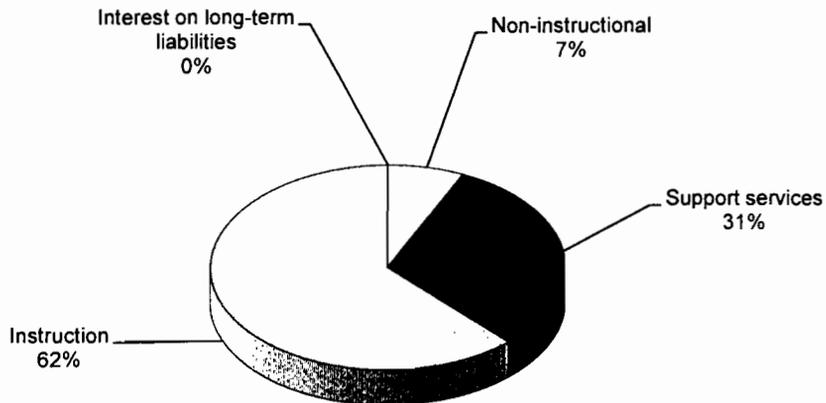
	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 711,491	\$ 757,471	-6.07%
Operating grants and contributions	5,247,745	4,378,852	19.84%
Capital grants and contributions	356,105	137,351	159.27%
General revenues:			
Property taxes	3,270,312	2,830,103	15.55%
Grants and contributions not restricted	13,457,569	13,373,697	0.63%
Investment earnings	77,448	72,997	6.10%
Other	61,858	62,624	-1.22%
Total revenues	<u>23,182,528</u>	<u>21,613,095</u>	7.26%
Expenses:			
Instruction	12,905,891	13,392,229	-3.63%
Support services	6,490,321	6,688,228	-2.96%
Non-instructional	1,431,615	1,455,593	-1.65%
Interest and other expense on long-term liabilities	11,320	14,150	-20.00%
Total expenses	<u>20,839,147</u>	<u>21,550,200</u>	-3.30%
Increase in net assets	<u>2,343,381</u>	<u>62,895</u>	3625.86%
Net assets, July 1	<u>18,321,990</u>	<u>18,259,095</u>	0.34%
Net assets, June 30	<u>\$ 20,665,371</u>	<u>\$ 18,321,990</u>	12.79%

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

**Figure 1
Sources of Revenues for Fiscal Year 2011**



**Figure 2
Expenses for Fiscal Year 2011**



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

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

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2011	2010	
Instruction	\$ 12,905,891	\$ 13,392,229	-3.63%
Support services	6,490,321	6,688,228	-2.96%
Non-instructional	1,431,615	1,455,593	-1.65%
Interest on long-term liabilities	11,320	14,150	-20.00%
Total expenses	\$ 20,839,147	\$ 21,550,200	-3.30%

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (9,283,129)	\$ (10,608,161)	-12.49%
Support services	(5,153,741)	(5,533,562)	-6.86%
Non-instructional	(75,616)	(120,653)	-37.33%
Interest on long-term liabilities	(11,320)	(14,150)	-20.00%
Total net (expense) revenue	\$ (14,523,806)	\$ (16,276,526)	-10.77%

- Net cost of governmental activities (\$14,523,806 for 2011 and \$16,276,526 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$3,270,312 for 2011 and \$2,830,103 for 2010) and state and federal revenues (\$13,457,569 for 2011 and \$13,373,697 for 2010).

- Investment earnings amounted to \$77,448 for 2011 and \$72,997 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 \$5,401,988, an increase of \$1,303,564, which includes an increase in inventory of \$7,513. \$3,144,609 or 58.21% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,257,379 or 41.79% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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

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 \$2,198,488. The fund balance of Other Governmental Funds showed an increase in the amount of \$109,515. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title IV B 21st Century Fund	no increase or decrease
Qualified School Construction Fund	\$ (1,004,439)

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.

- Budget amounts for General Fund revenue from state sources overestimated MAEP revenue in the amount of \$1,053,561 due to the State not fully funding this program.
- Actual expenditures were below budget, primarily because the District budgets from fund balance for unplanned expenditures (contingency). The District didn't spend the entire contingency amount.
- Budgeted amounts for facilities acquisition and construction expenditures in the Qualified School Construction Fund did not include the Blue Mountain Cafeteria project in the amount of \$278,170 due to the fact the project was not approved until late in the year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$25,517,643, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$1,348,021 from 2010. Total accumulated depreciation as of June 30, 2011, was \$7,744,391, and total depreciation expense for the year was \$670,286, resulting in total net capital assets of \$17,773,252.

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

	June 30, 2011	June 30, 2010	Percentage Change
Land	\$ 170,967	\$ 170,967	0.00%
Construction in progress	278,170	109,074	155.03%
Buildings	15,232,880	14,797,658	2.94%
Building improvements	521,577	494,000	5.58%
Improvements other than buildings	339,163	326,309	3.94%
Mobile equipment	958,727	755,253	26.94%
Furniture and equipment	271,768	349,988	-22.35%
Total	\$ 17,773,252	\$ 17,003,249	4.53%

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

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

Debt Administration. At June 30, 2011, the District had \$2,521,373 in outstanding long-term debt, of which \$170,769 is due within one year. The liability for compensated absences decreased \$14,030 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Shortfall notes payable	\$ 315,440	\$ 566,594	-44.33%
Qualified school construction bonds payable	2,000,000	2,000,000	0.00%
Compensated absences payable	205,933	219,963	-6.38%
Total	<u>\$ 2,521,373</u>	<u>\$ 2,786,557</u>	-9.52%

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

Current Issues

The South 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. The District's system of financial planning, budgeting and internal financial controls are 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 increased by 0.26% to 2,712 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report, contact the Superintendent's Office of the South Tippah School District, 402 Greenlee Avenue, Ripley, MS 38663.

FINANCIAL STATEMENTS

**SOUTH TIPPAH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011**

Exhibit A

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 3,760,290
Due from other governments	972,337
Accrued interest receivable	8,963
Other receivables, net	64
Inventories	35,466
Deferred debt issuance costs	17,687
Restricted assets	1,153,880
Capital assets, non-depreciable:	
Land	170,967
Construction in progress	278,170
Capital assets, net of accumulated depreciation:	
Buildings	15,232,880
Building improvements	521,577
Improvements other than buildings	339,163
Mobile equipment	958,727
Furniture and equipment	271,768
Total Assets	\$ 23,721,939
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 529,012
Interest payable on long-term liabilities	6,183
Long-term liabilities, due within one year:	
Non-capital related liabilities	170,769
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,000,000
Non-capital related liabilities	350,604
Total Liabilities	3,056,568
NET ASSETS:	
Invested in capital assets, net of related debt	15,773,252
Restricted net assets:	
Expendable:	
School-based activities	709,173
Debt service	189,639
Capital improvements	888,026
Unemployment benefits	52,295
Unrestricted	3,052,986
Total Net Assets	20,665,371
Total Liabilities and Net Assets	\$ 23,721,939

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

**SOUTH TIPPAAH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 12,905,891	\$ 447,571	\$ 3,154,387	\$ 20,804	\$ (9,283,129)
Support services	6,490,321	-	1,001,279	335,301	(5,153,741)
Non-instructional services	1,431,615	263,920	1,092,079	-	(75,616)
Interest on long-term liabilities	11,320	-	-	-	(11,320)
Total Governmental Activities	\$ 20,839,147	\$ 711,491	\$ 5,247,745	\$ 356,105	\$ (14,523,806)
General Revenues:					
Taxes:					
General purpose levies					3,040,677
Debt purpose levies					229,635
Unrestricted grants and contributions:					
State					12,529,592
Federal					927,977
Unrestricted investment earnings					77,448
Other					61,858
Total General Revenues					16,867,187
Change in Net Assets					2,343,381
Net Assets - Beginning					18,321,990
Net Assets - Ending					\$ 20,665,371

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

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

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Title IV B 21st Century Fund	Qualified School Construction Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 3,008,312	\$ -	\$ 1,035,880	\$ 751,978	\$ 4,796,170
Investments	-	-	-	118,000	118,000
Due from other governments	449,565	199,686	-	323,086	972,337
Accrued interest receivable	5,609	-	1,368	1,986	8,963
Other receivables, net	-	-	64	-	64
Due from other funds	276,443	-	-	4,688	281,131
Inventories	-	-	-	35,466	35,466
Total Assets	\$ 3,739,929	\$ 199,686	\$ 1,037,312	\$ 1,235,204	\$ 6,212,131
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 178,569	\$ 148,446	\$ 149,286	\$ 52,711	\$ 529,012
Due to other funds	4,688	51,240	-	225,203	281,131
Total Liabilities	183,257	199,686	149,286	277,914	810,143
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	35,466	35,466
Restricted:					
Debt service	-	-	-	195,822	195,822
Capital projects	-	-	888,026	-	888,026
Grant activities	-	-	-	33,266	33,266
Unemployment benefits	-	-	-	52,295	52,295
Other purposes	-	-	-	555,621	555,621
Committed:					
Capital improvements	100,000	-	-	-	100,000
Assigned:					
School activities	312,063	-	-	84,820	396,883
Unassigned	3,144,609	-	-	-	3,144,609
Total Fund Balances	3,556,672	-	888,026	957,290	5,401,988
Total Liabilities and Fund Balances	\$ 3,739,929	\$ 199,686	\$ 1,037,312	\$ 1,235,204	\$ 6,212,131

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

**SOUTH 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 **\$ 5,401,988**

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	\$	170,967	
Construction in progress		278,170	
Buildings		19,672,920	
Building improvements		878,552	
Improvements other than buildings		547,280	
Mobile equipment		2,966,853	
Furniture and equipment		1,002,901	
Accumulated depreciation		<u>(7,744,391)</u>	17,773,252

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:

Qualified school construction bonds		(2,000,000)	
Notes payable		(315,440)	
Unamortized debt issuance costs		17,687	
Accrued interest payable		(6,183)	
Compensated absences payable		<u>(205,933)</u>	<u>(2,509,869)</u>

Net Assets - Governmental Activities **\$ 20,665,371**

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

**SOUTH 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			Other Governmental Funds	Total Governmental Funds
	General Fund	Title IV B 21st Century Fund	Qualified School Construction Fund		
REVENUES:					
Local sources	\$ 3,401,947	\$ -	\$ 23,182	\$ 758,502	\$ 4,183,631
State sources	12,372,251	-	-	954,339	13,326,590
Federal sources	122,905	690,114	-	4,777,952	5,590,971
Total Revenues	15,897,103	690,114	23,182	6,490,793	23,101,192
EXPENDITURES:					
Instruction	8,289,638	549,013	-	3,842,347	12,680,998
Support services	4,980,943	137,161	-	1,272,119	6,390,223
Non-instructional services	244,486	-	-	1,192,752	1,437,238
Facilities acquisition and construction	-	-	1,027,621	-	1,027,621
Debt service:					
Principal	-	-	-	251,154	251,154
Interest	-	-	-	17,424	17,424
Other	-	-	-	1,500	1,500
Total Expenditures	13,515,067	686,174	1,027,621	6,577,296	21,806,158
Excess (Deficiency) of Revenues over (under) Expenditures	2,382,036	3,940	(1,004,439)	(86,503)	1,295,034
OTHER FINANCING SOURCES (USES):					
Sale of other property	592	-	-	425	1,017
Operating transfers in	14,149	-	-	198,289	212,438
Operating transfers out	(198,289)	(3,940)	-	(10,209)	(212,438)
Total Other Financing Sources (Uses)	(183,548)	(3,940)	-	188,505	1,017
NET CHANGE IN FUND BALANCES	2,198,488	-	(1,004,439)	102,002	1,296,051
FUND BALANCES:					
July 1, 2010	1,358,184	-	1,892,465	847,775	4,098,424
Increase in Reserve for Inventory	-	-	-	7,513	7,513
June 30, 2011	<u>\$ 3,556,672</u>	<u>\$ -</u>	<u>\$ 888,026</u>	<u>\$ 957,290</u>	<u>\$ 5,401,988</u>

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

**SOUTH TIPPAAH 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 **\$ 1,296,051**

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	\$ 1,450,041	
	Depreciation expense	<u>(670,286)</u>	779,755
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.		(9,752)
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:		
	Payments of debt principal	251,154	
	Accrued interest payable	<u>6,104</u>	257,258
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	14,030	
	Change in inventory reserve	7,513	
	Amortization of deferred debt issuance costs	<u>(1,474)</u>	<u>20,069</u>
Change in Net Assets of Governmental Activities			\$ <u>2,343,381</u>

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

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

Exhibit E

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 1,247,976
Total Assets	<u>\$ 1,247,976</u>
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 1,155,933
Due to student clubs	<u>92,043</u>
Total Liabilities	<u>\$ 1,247,976</u>

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

**SOUTH TIPPAAH SCHOOL DISTRICT
NOTES TO THE 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, South 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 inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net 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.
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.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

The school district reports the following major governmental funds:

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

Title IV B 21st Century Fund – This fund accounts for a federal grant which is used to provide opportunities for academic enrichment.

Qualified School Construction Fund – This fund accounts for proceeds of long-term debt and costs of construction.

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.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 inter-fund activity has been eliminated from the government-wide statements.

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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, Cash Equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

6. Capital Assets

Capital assets include land, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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.

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

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. 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.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

8. 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.

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 6 for details.

9. 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.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the commitment to fund construction costs in excess of Qualified School Construction Bond funds.

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.

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,796,170 and \$1,247,976, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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.

Investments

As of June 30, 2011, the district had the following investments in a sinking fund restricted for the payment of its Qualified School Construction Bonds described in Note 11.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Treasury SLGS Deposit	AAA	12	\$ 118,000
Total			<u>\$ 118,000</u>

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

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

Note 2 – Cash and Cash Equivalents and Investments (Continued)

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2011, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

Note 3 – Interfund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title IV B 21st Century	\$ 51,240
General Fund	Other governmental funds	225,203
Other governmental funds	General Fund	4,688
Total		<u>\$ 281,131</u>

Interfund receivables and payables consist primarily of loans from the General Fund 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	\$ 198,289
Title IV B 21st Century	General Fund	3,940
Other governmental funds	General Fund	10,209
Total		<u>\$ 212,438</u>

Interfund transfers were made for budgetary purposes and for the payment of indirect costs.

Note 4 – Restricted Assets

The restricted assets represent the investment balance of \$118,000 in the Qualified School Construction Bond sinking fund described in Note 11. In addition, the restricted assets represent the cash balance of \$1,035,880 in the Qualified School Construction Bond Fund resulting from unspent proceeds of bonds.

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

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 170,967			\$ 170,967
Construction in progress	109,074	968,878	799,782	278,170
Total non-depreciable capital assets	<u>280,041</u>	<u>968,878</u>	<u>799,782</u>	<u>449,137</u>
<u>Depreciable capital assets:</u>				
Buildings	18,873,138	799,782	-	19,672,920
Building improvements	819,809	58,743	-	878,552
Improvements other than buildings	512,535	34,745	-	547,280
Mobile equipment	2,706,277	357,596	97,020	2,966,853
Furniture and equipment	977,822	30,079	5,000	1,002,901
Total depreciable capital assets	<u>23,889,581</u>	<u>1,280,945</u>	<u>102,020</u>	<u>25,068,506</u>
<u>Less accumulated depreciation for:</u>				
Buildings	4,075,480	364,560	-	4,440,040
Building improvements	325,809	31,166	-	356,975
Improvements other than buildings	186,226	21,891	-	208,117
Mobile equipment	1,951,024	144,420	87,318	2,008,126
Furniture and equipment	627,834	108,249	4,950	731,133
Total accumulated depreciation	<u>7,166,373</u>	<u>670,286</u>	<u>92,268</u>	<u>7,744,391</u>
Total depreciable capital assets, net	<u>16,723,208</u>	<u>610,659</u>	<u>9,752</u>	<u>17,324,115</u>
Governmental activities capital assets, net	<u>\$ 17,003,249</u>	<u>\$ 1,579,537</u>	<u>\$ 809,534</u>	<u>\$ 17,773,252</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 246,795
Support services	421,827
Non-instructional	1,664
Total depreciation expense - Governmental activities	<u>\$ 670,286</u>

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
Blue Mountain Cafeteria	<u>\$ 278,170</u>	<u>\$ 925,116</u>

Construction projects included in governmental activities are funded with capital project assets.

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

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. Shortfall notes payable	\$ 566,594	\$ -	\$ 251,154	\$ 315,440	\$ 170,769
B. Qualified school construction bonds payable	2,000,000	-	-	2,000,000	-
C. Compensated absences payable	219,963	-	14,030	205,933	-
Total	<u>\$ 2,786,557</u>	<u>\$ -</u>	<u>\$ 265,184</u>	<u>\$ 2,521,373</u>	<u>\$ 170,769</u>

A. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Revenue Shortfall Note Series 2008	3.00%	12/9/2008	12/9/2011	\$ 88,337	\$ 30,320
2. Revenue Shortfall Note Series 2009	3.00%	7/16/2009	7/16/2012	292,208	197,670
3. Revenue Shortfall Note Series 2010	3.00%	6/29/2010	6/29/2013	129,278	87,450
Total				<u>\$ 509,823</u>	<u>\$ 315,440</u>

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

1. Revenue Shortfall Note Series 2008:

Year Ending June 30	Principal	Interest	Total
2012	\$ 30,320	\$ 910	\$ 31,230

This debt will be retired from the Shortfall Notes Debt Service Fund.

2. Revenue Shortfall Note Series 2009:

Year Ending June 30	Principal	Interest	Total
2012	\$ 97,374	\$ 5,930	\$ 103,304
2013	100,296	3,008	103,304
Total	<u>\$ 197,670</u>	<u>\$ 8,938</u>	<u>\$ 206,608</u>

This debt will be retired from the Shortfall Notes Debt Service Fund.

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

Note 6 – Long-term Liabilities (Continued)

3. Revenue Shortfall Note Series 2010:

Year Ending June 30	Principal	Interest	Total
2012	\$ 43,075	\$ 2,631	\$ 45,706
2013	44,375	1,331	45,706
Total	\$ 87,450	\$ 3,962	\$ 91,412

This debt will be retired from the Shortfall Notes Debt Service Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 170,769	\$ 9,471	\$ 180,240
2013	144,671	4,339	149,010
Total	\$ 315,440	\$ 13,810	\$ 329,250

B. Qualified school construction bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified School Construction Bonds Limited-Tax Note, Series 2009	0.00%	9/15/2009	9/15/2023	\$ 2,000,000	\$ 2,000,000

C. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – 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.

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

Note 8 – Defined Benefit Pension Plan (Continued)

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 \$1,356,617, \$1,434,350 and \$1,376,988, respectively, which equaled the required contributions for each year.

Note 9 – Contingencies

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

Note 10 – 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.

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 11 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$118,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

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

Note 11 – Qualified School Construction Bonds (Continued)

Year Ending June 30	Amount
2012	\$ 144,000
2013	144,000
2014	144,000
2015	145,000
2016	145,000
2017 – 2021	725,000
2022 – 2026	435,000
Total	<u>\$ 1,882,000</u>

Note 12 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated March 20, 1996 and revised October 1999, creating the New Albany, South Tippah, Union County Behavioral Management School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the New Albany School District, the South Tippah School District and the Union County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The New Albany School District has been designated as the lead school district for the New Albany, South Tippah, Union County Behavioral Management School, and the operations of the consortium are included in its financial statements.

Note 13 – 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 consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium 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, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

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

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Tippah Career and Technology Center.

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

Note 13 – Vocational School Consortium (Continued)

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2011

Revenues	
Local sources:	
Taxes	\$ 244,549
Interest	955
Other local sources	<u>7,436</u>
Total local sources	252,940
State sources	427,870
Federal sources	-
Total Revenues	<u>680,810</u>
 Expenditures	
Salaries	425,616
Employee benefits	128,609
Purchased property services	36,739
Other purchased services	28,129
Supplies	<u>25,986</u>
Total Expenditures	<u>645,079</u>
Excess of Revenues Over Expenditures	<u>35,731</u>
 Other Financing Sources/Uses:	
Sale of other property	<u>425</u>
Total Other Financing Sources/Uses	<u>425</u>
Net Change in Fund Balance	36,156
 Fund Balance:	
July 1, 2010	<u>48,664</u>
June 30, 2011	<u>\$ 84,820</u>

Note 14 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the South Tippah School District evaluated the activity of the district through November 30, 2011, the date the financial statements were available to be issued, and determined that the following events have occurred that require disclosure in the notes to the financial statements:

In August 2011, the school district issued Shortfall Notes in the amount of \$103,919 and \$17,257.

REQUIRED SUPPLEMENTAL INFORMATION

**SOUTH TIPPAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 3,365,811	\$ 3,373,444	\$ 3,401,947	\$ 7,633	\$ 28,503
State sources	13,305,419	12,372,251	12,372,251	(933,168)	-
Federal sources	73,000	106,356	122,905	33,356	16,549
Total Revenues	16,744,230	15,852,051	15,897,103	(892,179)	45,052
EXPENDITURES:					
Instruction	9,587,102	8,299,034	8,289,638	1,288,068	9,396
Support services	5,325,648	5,046,963	4,980,943	278,685	66,020
Non-instructional services	260,500	244,486	244,486	16,014	-
Total Expenditures	15,173,250	13,590,483	13,515,067	1,582,767	75,416
Excess of Revenues over Expenditures	1,570,980	2,261,568	2,382,036	690,588	120,468
OTHER FINANCING SOURCES (USES):					
Sale of other property	-	592	592	592	-
Operating transfers in	261,819	162,293	14,149	(99,526)	(148,144)
Operating transfers out	(461,845)	(346,433)	(198,289)	115,412	148,144
Total Other Financing Sources (Uses)	(200,026)	(183,548)	(183,548)	16,478	-
NET CHANGE IN FUND BALANCE	1,370,954	2,078,020	2,198,488	707,066	120,468
FUND BALANCE:					
July 1, 2010	1,358,184	1,358,184	1,358,184	-	-
June 30, 2011	\$ 2,729,138	\$ 3,436,204	\$ 3,556,672	\$ 707,066	\$ 120,468

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

**SOUTH TIPPAH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - TITLE IV B 21ST CENTURY FUND
 FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Federal sources	\$ 497,854	\$ 620,193	\$ 690,114	\$ 122,339	\$ 69,921
Total Revenues	497,854	620,193	690,114	122,339	69,921
EXPENDITURES:					
Instruction	392,938	479,092	549,013	(86,154)	(69,921)
Support services	101,406	137,161	137,161	(35,755)	-
Total Expenditures	494,344	616,253	686,174	(121,909)	(69,921)
Excess of Revenues over Expenditures	3,510	3,940	3,940	430	-
OTHER FINANCING SOURCES (USES):					
Operating transfers out	(3,510)	(3,940)	(3,940)	(430)	-
Total Other Financing Sources (Uses)	(3,510)	(3,940)	(3,940)	(430)	-
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE:					
July 1, 2010	-	-	-	-	-
June 30, 2011	\$ -	\$ -	\$ -	\$ -	\$ -

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

**SOUTH TIPPAAH 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.

3. Individual Fund Disclosures

The Title IV B 21st Century Fund has an excess of expenditures over budget in the amount of \$69,921. This is not in violation of state law since the excess was due to management's adjustments resulting from the audit.

SUPPLEMENTAL INFORMATION

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

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 264,195
National school lunch program	10.555	811,079
Summer food service program for children	10.559	10,693
Total Child Nutrition Cluster		<u>1,085,967</u>
Total U.S. Department of Agriculture		<u>1,085,967</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	28,423
Total Federal Communications Commission		<u>28,423</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	35,802
Safe and drug-free schools and communities - state grants	84.186	2,485
Twenty-first century community learning centers	84.287	690,114
Rural education	84.358	83,819
English language acquisition grants	84.365	32,040
Improving teacher quality - state grants	84.367	199,992
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	805,072
Education jobs fund	84.410	601,180
Subtotal		<u>2,450,504</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	685,162
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	127,662
Total Title I cluster		<u>812,824</u>
Special education cluster:		
Special education - grants to states	84.027	553,591
Special education - preschool grants	84.173	23,114
ARRA - Special education grants to states, Recovery Act	84.391	406,139
ARRA - Special education - preschool grants, Recovery Act	84.392	1,456
Total special education cluster		<u>984,300</u>
Education technology cluster:		
Education technology state grants	84.318	5,903
ARRA - Education technology state grants, Recovery Act	84.386	12,931
Total education technology cluster		<u>18,834</u>
Total passed-through Mississippi Department of Education		<u>4,266,462</u>
Total U.S. Department of Education		<u>4,266,462</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	16,549
Total U.S. Department of Health and Human Services		<u>16,549</u>
Total for All Federal Awards		<u>\$ 5,397,401</u>

**SOUTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011**

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.

**SOUTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE,
AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 15,818,522	\$ 12,670,441	\$ 513,120	\$ 1,078,965	\$ 1,555,996
Other	<u>5,987,636</u>	<u>1,799,637</u>	<u>181,262</u>	<u>50,511</u>	<u>3,956,226</u>
Total	\$ <u>21,806,158</u>	\$ <u>14,470,078</u>	\$ <u>694,382</u>	\$ <u>1,129,476</u>	\$ <u>5,512,222</u>
Total number of students*	<u>2,712</u>				
Cost per student	<u>\$ 8,041</u>	<u>\$ 5,336</u>	<u>\$ 256</u>	<u>\$ 416</u>	<u>\$ 2,033</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

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

OTHER INFORMATION

SOUTH TIPPAH 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	\$ 3,401,947	\$ 3,085,785	\$ 2,805,084	\$ 3,114,375
State sources	12,372,251	12,149,644	13,472,628	13,819,538
Federal sources	122,905	148,200	201,448	116,326
Total Revenues	<u>15,897,103</u>	<u>15,383,629</u>	<u>16,479,160</u>	<u>17,050,239</u>
EXPENDITURES:				
Instruction	8,289,638	9,580,443	10,823,697	10,638,382
Support services	4,980,943	5,357,179	5,379,598	5,258,326
Non-instructional services	244,486	278,831	262,897	271,898
Facilities acquisition and construction	-	84,907	5,440,698	2,155,341
Total Expenditures	<u>13,515,067</u>	<u>15,301,360</u>	<u>21,906,890</u>	<u>18,323,947</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,382,036</u>	<u>82,269</u>	<u>(5,427,730)</u>	<u>(1,273,708)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of loans	-	421,486	-	247,468
Insurance loss recoveries	-	1,387	210,442	-
Sale of transportation equipment	-	-	227	1,362
Sale of other property	592	314	-	31,507
Operating transfers in	14,149	13,902	4,065	4,542
Other financing uses	(198,289)	(142,704)	(136,500)	(116,927)
Total Other Financing Sources (Uses)	<u>(183,548)</u>	<u>294,385</u>	<u>78,234</u>	<u>167,952</u>
NET CHANGE IN FUND BALANCES	2,198,488	376,654	(5,349,496)	(1,105,756)
FUND BALANCES:				
July 1	<u>1,358,184</u>	<u>981,530</u>	<u>6,331,026</u>	<u>7,436,782</u>
June 30	<u>\$ 3,556,672</u>	<u>\$ 1,358,184</u>	<u>\$ 981,530</u>	<u>\$ 6,331,026</u>

*SOURCE-PRIOR YEAR AUDIT REPORTS

**SOUTH TIPPAH 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	\$ 4,183,631	\$ 3,904,353	\$ 3,558,925	\$ 3,666,167
State sources	13,326,590	13,048,008	14,401,938	14,724,234
Federal sources	5,590,971	4,657,221	2,741,967	2,707,579
Total Revenues	<u>23,101,192</u>	<u>21,609,582</u>	<u>20,702,830</u>	<u>21,097,980</u>
EXPENDITURES:				
Instruction	12,680,998	13,170,128	12,973,705	12,757,646
Support services	6,390,223	6,496,845	6,349,110	6,247,667
Non-instructional services	1,437,238	1,458,019	1,454,455	1,417,971
Facilities acquisition and construction	1,027,621	193,982	5,440,698	2,296,989
Debt service:				
Principal	251,154	178,821	145,776	-
Interest	17,424	10,218	12,009	-
Other	1,500	20,635	-	-
Total Expenditures	<u>21,806,158</u>	<u>21,528,648</u>	<u>26,375,753</u>	<u>22,720,273</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,295,034</u>	<u>80,934</u>	<u>(5,672,923)</u>	<u>(1,622,293)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of qualified school construction bonds	-	2,000,000	-	-
Proceeds of loans	-	421,486	88,337	381,368
Insurance loss recoveries	-	1,387	330,693	9,987
Sale of transportation equipment	-	-	227	1,864
Sale of other property	1,017	2,125	300	32,008
Operating transfers in	212,438	159,557	143,208	121,469
Other financing sources	-	-	-	72,100
Operating transfers out	(212,438)	(159,557)	(143,208)	(121,469)
Total Other Financing Sources	<u>1,017</u>	<u>2,424,998</u>	<u>419,557</u>	<u>497,327</u>
NET CHANGE IN FUND BALANCES	<u>1,296,051</u>	<u>2,505,932</u>	<u>(5,253,366)</u>	<u>(1,124,966)</u>
FUND BALANCES:				
July 1	4,098,424	1,588,410	6,850,780	7,976,256
Increase (Decrease) in Reserve for Inventory	7,513	4,082	(9,004)	(510)
June 30	<u>\$ 5,401,988</u>	<u>\$ 4,098,424</u>	<u>\$ 1,588,410</u>	<u>\$ 6,850,780</u>

SOURCE-PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

EATON, BABB & SMITH

C E R T I F I E D P U B L I C A C C O U N T A N T S

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

Superintendent and School Board
South Tippah School District

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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

Eaton, Babb & Smith

Ripley, Mississippi
November 30, 2011

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EATON, BABB & SMITH

C E R T I F I E D P U B L I C A C C O U N T A N T S

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

Superintendent and School Board
South Tippah School District

Compliance

We have audited the South 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 the school district's major federal programs for the year ended June 30, 2011. The school district's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, the South Tippah School District complied, in all material respects, with the 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.

Internal Control Over Compliance

Management of the South Tippah School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 school district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

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.

Eaton, Babb + Smith

Ripley, Mississippi
November 30, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

EATON, BABB & SMITH

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
South Tippah School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Tippah School District as of and for the year ended June 30, 2011, which collectively comprise South Tippah School District's basic financial statements and have issued our report thereon dated November 30, 2011. 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), Mississippi Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$33,266 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

Eaton, Babb & Smith

Ripley, Mississippi
November 30, 2011

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SOUTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I: Summary of Auditors' Results

FINANCIAL STATEMENTS:

- 1. Type of auditors' report issued on the financial statements: Unqualified
- 2. Internal control over financial reporting:
 - a. Material weakness identified? No
 - b. Significant deficiency identified? None Reported
- 3. Noncompliance material to financial statements noted? No

FEDERAL AWARDS:

- 4. Internal control over major programs:
 - a. Material weakness identified? No
 - b. Significant deficiency identified? None Reported
- 4. Type of auditors' report issued on compliance for major programs: Unqualified
- 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No
- 7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster:
84.027	Special education - grants to states
84.173	Special education - preschool grants
84.391	ARRA - Special education grants to states, Recovery Act
84.392	ARRA - Special education - preschool grants, Recovery Act
84.394	ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act
84.410	Education jobs fund

- 8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- 9. Auditee qualified as a low-risk auditee? Yes

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 under *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

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