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North Tippah Consolidated School District

Audited Financial Statements
For the Year Ended June 30, 2013

Fortenberry & Ballard, PC
Certified Public Accountants

**North Tippah Consolidated School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
North Tippah Consolidated School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Tippah Consolidated School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the North Tippah Consolidated School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Tippah Consolidated School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 17 and 44 to 48 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Tippah Consolidated School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013, on our consideration of the North Tippah Consolidated 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Tippah Consolidated School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 18, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of North Tippah Consolidated School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased \$66,993, which represents a 1.03% decrease from fiscal year 2012. Total net position for 2012 increased \$34,366, which represents a 0.53% increase from fiscal year 2011.
- General revenues amounted to \$8,386,927 and \$8,268,440, or 79.77% and 79.64% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,126,776, or 20.23% of total revenues for 2013, and \$2,113,308, or 20.36% of total revenues for 2012.
- The District had \$10,580,696 and \$10,347,382 in expenses for fiscal years 2013 and 2012; only \$2,126,776 for 2013 and \$2,113,308 for 2012 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,386,927 for 2013 were not adequate to provide for these programs. General revenues of \$8,268,440 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,627,879 in revenues and \$8,860,566 in expenditures for 2013, and \$8,391,437 in revenues and \$8,618,411 in expenditures for 2012. The General Fund's fund balance decreased by \$228,804 from 2012 to 2013, and decreased by \$158,289 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$35,402 for 2013 and increased by \$190,653 for 2012. The net increase for 2013 was due to the addition of land, furniture and equipment and construction expenditures coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$104,000 for 2013 and decreased by \$145,000 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$8,390 for 2013 and decreased by \$10,648 for 2012.

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 Supplementary Information

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

Supplementary Information

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

Other Information

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$6,420,551 as of June 30, 2013.

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 position as of June 30, 2013 and June 30, 2012.

**Table 1
Condensed Statement of Net Position**

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 3,208,316	\$ 3,422,321	-6.25%
Capital assets, net	3,373,078	3,337,676	1.06%
Total assets	6,581,394	6,759,997	-2.64%
Current liabilities	41,383	161,383	-74.36%
Long-term liabilities	119,460	111,070	7.55%
Total liabilities	160,843	272,453	-40.96%
Net position:			
Net investment in capital assets	3,373,078	3,233,676	4.31%
Restricted	390,189	359,389	8.57%
Unrestricted	2,657,284	2,894,479	-8.19%
Total net position	\$ 6,420,551	\$ 6,487,544	-1.03%

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 \$35,402.
- The principal retirement of \$104,000 of long-term debt.

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$10,513,703 and \$10,381,748, respectively. The total cost of all programs and services was \$10,580,696 for 2013 and \$10,347,382 for 2012.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2
Changes of Net Position**

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 602,266	\$ 516,237	16.66%
Operating grants and contributions	1,504,934	1,597,071	-5.77%
Capital grants and contributions	19,576	-	
General revenues:			
Property taxes	1,416,846	1,372,906	3.20%
Grants and contributions not restricted	6,897,969	6,789,171	1.60%
Investment earnings	53,831	51,845	3.83%
Other	18,281	54,518	-66.47%
Total revenues	<u>10,513,703</u>	<u>10,381,748</u>	<u>1.27%</u>
Expenses:			
Instruction	6,400,736	6,407,752	-0.11%
Support services	3,321,565	3,119,670	6.47%
Non-instructional services	856,520	814,858	5.11%
Interest on long-term liabilities	1,875	5,102	-63.25%
Total expenses	<u>10,580,696</u>	<u>10,347,382</u>	<u>2.25%</u>
Increase (decrease) in net position	(66,993)	34,366	-294.94%
Net Position, July 1	<u>6,487,544</u>	<u>6,453,178</u>	<u>0.53%</u>
Net Position, June 30	<u><u>\$ 6,420,551</u></u>	<u><u>\$ 6,487,544</u></u>	<u><u>-1.03%</u></u>

Governmental activities

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 6,400,736	\$ 6,407,752	-0.11%
Support services	3,321,565	3,119,670	6.47%
Non-instructional services	856,520	814,858	5.11%
Interest on long-term liabilities	1,875	5,102	-63.25%
Total expenses	<u>\$10,580,696</u>	<u>\$10,347,382</u>	<u>2.25%</u>

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	(5,337,149)	(5,325,861)	0.21%
Support services	(3,077,633)	(2,833,572)	8.61%
Non-instructional services	(37,263)	(69,539)	-46.41%
Interest on long-term liabilities	(1,875)	(5,102)	-63.25%
Total net (expense) revenue	<u>\$ (8,453,920)</u>	<u>\$ (8,234,074)</u>	<u>2.67%</u>

- Net cost of governmental activities (\$8,453,920 for 2013 and \$8,234,074 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$1,416,846 for 2013 and \$1,372,906 for 2012) and state and federal revenues (\$6,897,969 for 2013 and \$6,789,171 for 2012).
- Investment earnings amounted to \$53,831 for 2013 and \$51,845 for 2012.

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

\$3,166,933, a decrease of \$198,459, which includes an increase in inventory of \$792. \$2,616,790 or 82.63% 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 \$550,143 or 17.37% is either non-spendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$228,804. The fund balance of Other Governmental Funds showed a decrease of \$3,025. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$33,370
EHA Part B Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$6,655,361, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$79,869 from 2012. Total accumulated depreciation as of June 30, 2013, was \$3,282,283, and total depreciation expense for the year was \$144,253, resulting in total net capital assets of \$3,373,078.

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 101,780	\$ 100,780	0.99%
Construction in progress	94,824	181,923	-47.88%
Buildings	2,204,002	2,017,119	9.26%
Building improvements	457,790	480,710	-4.77%
Improvements other than buildings	21,001	23,334	-10.00%
Mobile equipment	418,208	486,995	-14.12%
Furniture and equipment	75,473	46,815	61.22%
Vqvcn	<u><u>"3,373,078"</u></u>	<u><u>"5,337,676"</u></u>	<u><u>"3028"</u></u>

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

Debt Administration. At June 30, 2013, the District had no outstanding long-term debt. The liability for compensated absences increased \$8,390 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Three mill notes payable	-	\$ 104,000	-100.00%
Compensated absences payable	119,460	111,070	7.55%
Total	<u><u>\$ 119,460</u></u>	<u><u>\$ 215,070</u></u>	<u><u>-44.46%</u></u>

Additional information of the District's long-term debt can be found in Note 5 included in this report.

CURRENT ISSUES

The North Tippah Consolidated School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. In addition, the District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Enrollment for the 2012-2013 year remained stable at 1,330 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

**NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

Exhibit A

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 3,065,911
Due from other governments	112,552
Other receivables, net	410
Inventories	24,795
Prepaid items	4,648
Capital assets, non-depreciable:	
Land	101,780
Construction in progress	94,824
Capital assets, net of accumulated depreciation:	
Buildings	2,204,002
Building improvements	457,790
Improvements other than buildings	21,001
Mobile equipment	418,208
Furniture and equipment	75,473
Total Assets	<u>6,581,394</u>
LIABILITIES:	
Accounts payable and accrued liabilities	27,047
Unearned revenue	14,336
Long-term liabilities, due beyond one year:	
Non-capital related liabilities	119,460
Total Liabilities	<u>160,843</u>
NET POSITION:	
Net investment in capital assets	3,373,078
Restricted for:	
Expendable:	
School-based activities	362,213
Debt service	6,511
Unemployment benefits	21,465
Unrestricted	2,657,284
Total Net Position	<u><u>\$ 6,420,551</u></u>

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

**NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 6,400,736	\$ 447,282	\$ 616,305	\$ -	\$ (5,337,149)
Support services	3,321,565	-	243,932	-	(3,077,633)
Non-instructional services	856,520	154,984	644,697	19,576	(37,263)
Interest on long-term liabilities	1,875	-	-	-	(1,875)
Total Governmental Activities	\$ 10,580,696	\$ 602,266	\$ 1,504,934	\$ 19,576	\$ (8,453,920)
General Revenues:					
Taxes:					
General purpose levies					1,308,608
Debt purpose levies					108,238
Unrestricted grants and contributions:					
State					6,837,600
Federal					60,369
Unrestricted investment earnings					53,831
Other					18,281
Total General Revenues					8,386,927
Change in Net Position					(66,993)
Net Position - Beginning					6,487,544
Net Position - Ending					\$ 6,420,551

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

**NORTH TIPPAH SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Food Service Fund	EHA Part B Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 2,688,071	\$ 315,708	\$ 17,483	\$ 44,649	\$ 3,065,911
Due from other governments	96,042	1,205	-	15,305	112,552
Due from other funds	9,591	-	-	-	9,591
Inventories	-	24,795	-	-	24,795
Prepaid items	4,648	-	-	-	4,648
Total Assets	\$ 2,798,352	\$ 341,708	\$ 17,483	\$ 59,954	\$ 3,217,497
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 21,608	\$ 1,907	\$ 3,147	\$ 385	\$ 27,047
Due to other funds	-	216	-	8,965	9,181
Unearned revenue	-	-	14,336	-	14,336
Total Liabilities	21,608	2,123	17,483	9,350	50,564
Fund Balances:					
Nonspendable:					
Inventory	-	24,795	-	-	24,795
Prepaid items	4,648	-	-	-	4,648
Restricted:					
Debt service	-	-	-	6,511	6,511
Unemployment benefits	-	-	-	21,465	21,465
Food Service	-	314,790	-	-	314,790
Other purposes	-	-	-	22,628	22,628
Assigned:					
Activity funds	155,306	-	-	-	155,306
Unassigned	2,616,790	-	-	-	2,616,790
Total Fund Balances	2,776,744	339,585	-	50,604	3,166,933
Total Liabilities and Fund Balances	\$ 2,798,352	\$ 341,708	\$ 17,483	\$ 59,954	\$ 3,217,497

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

**NORTH TIPPAH SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2013

Exhibit C-1

Total Fund Balances - Governmental Funds **\$ 3,166,933**

Amounts reported for governmental activities in the Statement of Net Position 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	\$ 101,780	
	Construction in progress	94,824	
	Buildings	4,354,423	
	Building improvements	573,003	
	Improvements other than buildings	58,334	
	Mobile equipment	1,204,386	
	Furniture and equipment	268,611	
	Accumulated depreciation	<u>(3,282,283)</u>	3,373,078
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:		
	Compensated absences payable		<u>(119,460)</u>
	Net Position of Governmental Activities		<u><u>\$ 6,420,551</u></u>

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

**NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	School Food Service Fund	EHA Part B Fund	Other Governmental Funds	
REVENUES:					
Local sources	\$ 1,822,644	\$ 160,024	\$ -	\$ 108,557	\$ 2,091,225
Intermediate sources	-	19,576	-	-	19,576
State sources	6,740,699	7,680	-	291,267	7,039,646
Federal sources	64,536	666,411	310,099	322,211	1,363,257
Total Revenues	8,627,879	853,691	310,099	722,035	10,513,704
EXPENDITURES:					
Instruction	5,620,043	-	222,808	483,865	6,326,716
Support services	2,991,191	84,009	87,291	96,655	3,259,146
Non-instructional services	141,628	737,104	-	-	878,732
Facilities acquisition and construction	107,704	-	-	38,210	145,914
Debt service:					
Principal	-	-	-	104,000	104,000
Interest	-	-	-	2,330	2,330
Total Expenditures	8,860,566	821,113	310,099	725,060	10,716,838
Excess (Deficiency) of Revenues over (under) Expenditures	(232,687)	32,578	-	(3,025)	(203,134)
OTHER FINANCING SOURCES (USES):					
Sale of transportation equipment	3,883	-	-	-	3,883
Operating transfers in	-	-	-	29,021	29,021
Operating transfers out	-	-	-	(29,021)	(29,021)
Total Other Financing Sources (Uses)	3,883	-	-	-	3,883
NET CHANGE IN FUND BALANCES	(228,804)	32,578	-	(3,025)	(199,251)
FUND BALANCES:					
July 1, 2012	3,005,548	306,215	-	53,629	3,365,392
Increase in Inventory	-	792	-	-	792
June 30, 2013	\$ 2,776,744	\$ 339,585	\$ -	\$ 50,604	\$ 3,166,933

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

**NORTH TIPPAH SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit D-1

Net Change in Fund Balances - Total Governmental Funds **\$ (199,251)**

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	\$ 190,067	
" Depreciation expense	<u>(144,253)</u>	45,814
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 position differs from the change in fund balance by the cost of the assets sold.		(10,412)
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 position. 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	104,000	
Accrued interest payable	<u>454</u>	104,454
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	(8,390)	
Change in inventory reserve	<u>792</u>	<u>(7,598)</u>
Change in Net Position of Governmental Activities		<u><u>\$ (66,993)</u></u>

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

**NORTH TIPPAH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2013**

Exhibit E

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 611,529
Total Assets	<u><u>\$ 611,529</u></u>
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 565,210
Due to other funds	410
Due to student clubs	<u>45,909</u>
Total Liabilities	<u><u>\$ 611,529</u></u>

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

North Tippah Consolidated School District

Notes to the Financial Statements
June 30, 2013

NORTH TIPPDAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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.

School Food Service Fund - This is a special revenue fund that accounts for food distribution under the national school breakfast and lunch programs.

EHA Part B Fund – This is a special revenue fund that accounts for federal funds to assist states in providing a free appropriate public education to all children with disabilities.

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

The District's fiduciary funds include the following:

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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.

Student Club Funds – These funds are used to account for the transactions of student clubs.

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

GOVERNMENTAL FUNDS

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

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

FIDUCIARY FUNDS

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

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

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

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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.

D. Encumbrances

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

E. Assets, Liabilities, and Net Position/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-

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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.

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

5. Restricted Assets

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

6. Capital Assets

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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.

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

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

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

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.

NORTH TIPPAAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 5 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. Currently there is no committed fund balance for this school district.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

10. Use of Estimates

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 - CASH AND CASH EQUIVALENTS

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,065,911 and \$611,529, 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. As of June 30, 2013, none of the district's bank balance of \$3,967,513 was exposed to custodial credit risk.

NORTH TIPPAAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 216
	Other governmental funds	8,965
	Fiduciary fund	410
Total		<u>\$ 9,591</u>

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

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Other governmental funds	Other governmental funds	<u>\$ 29,021</u>

Inter-fund transfers were made from the Title I Fund and the Teacher Quality Fund to the Consolidated Administrative Cost Fund for federal program administrative costs.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2012	Additions	Retirements	Completed Construction	Balance June 30, 2013
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 100,780	\$ 1,000	\$ -	\$ -	101,780
Construction in progress	181,923	145,914	-	(233,013)	94,824
Total non-depreciable capital assets	<u>282,703</u>	<u>146,914</u>	<u>-</u>	<u>(233,013)</u>	<u>196,604</u>
<u>Depreciable capital assets:</u>					
Buildings	4,121,410	-	-	233,013	4,354,423
Building improvements	573,003	-	-	-	573,003
Improvements other than buildings	58,334	-	-	-	58,334
Mobile equipment	1,307,836	-	103,450	-	1,204,386
Furniture and equipment	232,206	43,153	6,748	-	268,611
Total depreciable capital assets	<u>6,292,789</u>	<u>43,153</u>	<u>110,198</u>	<u>233,013</u>	<u>6,458,757</u>
<u>Less accumulated depreciation for:</u>					
Buildings	2,104,291	46,130	-	-	2,150,421
Building improvements	92,293	22,920	-	-	115,213
Improvements other than buildings	35,000	2,333	-	-	37,333
Mobile equipment	820,841	58,442	93,105	-	786,178
Furniture and equipment	185,391	14,428	6,681	-	193,138
Total accumulated depreciation	<u>3,237,816</u>	<u>144,253</u>	<u>99,786</u>	<u>-</u>	<u>3,282,283</u>
Total depreciable capital assets, net	<u>3,054,973</u>	<u>(101,100)</u>	<u>10,412</u>	<u>233,013</u>	<u>3,176,474</u>
Governmental activities capital assets, net	<u>\$ 3,337,676</u>	<u>\$ 45,814</u>	<u>\$ 10,412</u>	<u>\$ -</u>	<u>\$ 3,373,078</u>

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	<u>Amount</u>
Instruction	\$ 71,649
Support services	53,516
Non-instructional services	<u>19,088</u>
Total depreciation expense	<u>\$ 144,253</u>

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Construction in progress is composed of:	Spent to	Remaining
	<u>June 30, 2013</u>	<u>Commitment</u>
Governmental Activities:		
Falkner Elementary Library	\$ 94,824	\$ 10,500

Construction projects included in governmental activities are funded with general revenues.

NOTE 5 - LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>
A. Three mill notes payable	\$ 104,000	\$ -	104,000	\$ -
B. Compensated absences payable	<u>111,070</u>	<u>8,390</u>	<u>-</u>	<u>119,460</u>
Total	<u>\$ 215,070</u>	<u>\$ 8,390</u>	<u>\$ 104,000</u>	<u>\$ 119,460</u>

A. Three mill notes payable

This debt was paid off and retired from the Three Mill Note Retirement Fund.

B. Compensated absences payable

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

NOTE 6 - DEFINED BENEFIT PENSION PLAN

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% 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, 2013, 2012, and 2011 were \$855,130, \$743,386, and \$704,490, respectively, which equaled the required contributions for each year.

NOTE 7 - CONTINGENCIES

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

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

NOTE 8 - RISK MANAGEMENT

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

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 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers'

NORTH TIPPAAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

NOTE 9 - VOCATIONAL SCHOOL CONSORTIUM

The school district entered into a Vocational Educational Agreement dated August 24, 1981, creating the North and South Tippah County Vocational-Technical Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and was approved by the Mississippi Department of Education. The consortium includes the North Tippah Consolidated 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 detailed procedures for student admission and transportation services for those students.

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

NOTE 10 – SUBSEQUENT EVENT

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the North Tippah Consolidated School District evaluated the activity of the district through the date the financial statements were available to be

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH TIPPAAH CONSOLIDATED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 1,847,305	\$ 1,822,480	\$ 1,822,644	\$ (24,825)	\$ 164
State sources	6,166,665	6,740,699	6,740,699	574,034	-
Federal sources	50,600	64,536	64,536	13,936	-
Total Revenues	8,064,570	8,627,715	8,627,879	563,145	164
EXPENDITURES:					
Instruction	5,407,211	5,620,043	5,620,043	(212,832)	-
Support services	2,889,398	2,991,191	2,991,191	(101,793)	-
Non-instructional services	109,115	141,628	141,628	(32,513)	-
Facilities acquisition and construction	-	107,704	107,704	(107,704)	-
Total Expenditures	8,405,724	8,860,566	8,860,566	(454,842)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(341,154)	(232,851)	(232,687)	108,303	164
OTHER FINANCING SOURCES (USES):					
Insurance recovery	-	164	-	164	(164)
Sale of transportation equipment	3,000	3,883	3,883	883	-
Operating transfers in	121,131	-	-	(121,131)	-
Operating transfers out	(124,131)	-	-	124,131	-
Total Other Financing Sources (Uses)	-	4,047	3,883	4,047	(164)
NET CHANGE IN FUND BALANCE	(341,154)	(228,804)	(228,804)	112,350	-
FUND BALANCE:					
July 1, 2012	3,005,548	3,005,548	3,005,548	-	-
June 30, 2013	\$ 2,664,394	\$ 2,776,744	\$ 2,776,744	\$ 112,350	\$ -

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

**NORTH TIPPAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SCHOOL FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 147,800	\$ 160,024	\$ 160,024	\$ 12,224	\$ -
Intermediate sources	-	19,576	19,576	19,576	-
State sources	8,500	7,680	7,680	(820)	-
Federal sources	625,700	666,411	666,411	40,711	-
Total Revenues	782,000	853,691	853,691	71,691	-
EXPENDITURES:					
Support services	87,059	84,009	84,009	3,050	-
Noninstructional services	927,100	737,104	737,104	189,996	-
Total Expenditures	1,014,159	821,113	821,113	193,046	-
NET CHANGE IN FUND BALANCE	(232,159)	32,578	32,578	264,737	-
FUND BALANCE:					
July 1, 2012	306,215	306,215	306,215	-	-
Increase in Reserve for Inventory	-	792	792	792	-
June 30, 2013	<u>\$ 74,056</u>	<u>\$ 339,585</u>	<u>\$ 339,585</u>	<u>\$ 265,529</u>	<u>\$ -</u>

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE EHA PART B FUND
FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Federal sources	\$ 348,739	\$ 310,099	\$ 310,099	\$ (38,640)	\$ -
Total Revenues	348,739	310,099	310,099	(38,640)	-
EXPENDITURES:					
Instruction	255,440	222,808	222,808	32,632	-
Support services	93,299	87,291	87,291	6,008	-
Total Expenditures	348,739	310,099	310,099	38,640	-
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE:					
July 1, 2012	-	-	-	-	-
June 30, 2013	-	-	\$ -	\$ -	\$ -

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

North Tippah Consolidated School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

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

SUPPLEMENTARY INFORMATION

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 180,378
National School Lunch Program	10.555	485,013
Total child nutrition cluster		<u>665,391</u>
Total passed-through Mississippi Department of Education		<u>665,391</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>665,391</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through the Universal Service Administrative Company:		
The School and Libraries Program of the Universal Service Fund	32.xxx	26,536
TOTAL FEDERAL COMMUNICATIONS COMMISSION		<u>26,536</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	199,120
Rural Education	84.358	13,316
Improving Teacher Quality - State Grants	84.367	93,634
Subtotal		<u>306,070</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	310,099
Special Education - Preschool Grants	84.173	16,142
Total Special Education Cluster		<u>326,241</u>
Total passed-through the Mississippi Department of Education		<u>632,311</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>632,311</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through Mississippi Department of Education:		
Medical Assistance Program	93.778	3,594
Total passed-through Mississippi Department of Education		<u>3,594</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>3,594</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 1,327,832</u>

Notes to Schedule

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT

Schedule 2

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 8,172,999	6,366,320	282,348	679,211	845,120
Other	2,543,839	545,565	198,950	50,381	1,748,943
Total	\$ <u>10,716,838</u>	<u>6,911,885</u>	<u>481,298</u>	<u>729,592</u>	<u>2,594,063</u>
Total number of students *	<u>1,330</u>				
Cost per student	\$ <u>8,058</u>	<u>5,197</u>	<u>362</u>	<u>549</u>	<u>1,950</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; 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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Last Four Years

"UNAUDITED"

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 1,822,644	1,722,105	1,601,877	1,574,566
State sources	6,740,699	6,585,361	6,125,364	6,116,649
Federal sources	64,536	83,971	78,274	116,383
Total Revenues	<u>8,627,879</u>	<u>8,391,437</u>	<u>7,805,515</u>	<u>7,807,598</u>
Expenditures:				
Instruction	5,620,043	5,502,611	4,560,531	4,847,418
Support services	2,991,191	3,002,085	2,717,978	2,730,289
Noninstructional services	141,628	102,226	115,820	130,710
Facilities acquisition and construction	107,704	11,489	0	65,355
Total Expenditures	<u>8,860,566</u>	<u>8,618,411</u>	<u>7,394,329</u>	<u>7,773,772</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(232,687)</u>	<u>(226,974)</u>	<u>411,186</u>	<u>33,826</u>
Other Financing Sources (Uses):				
Bonds and notes issued			395,000	
Insurance recovery				
Sale of transportation equipment	3,883	2,577		
Operating transfers in		72,608		48,537
Operating transfers out		(6,500)	(78,597)	(107,230)
Total Other Financing Sources (Uses)	<u>3,883</u>	<u>68,685</u>	<u>316,403</u>	<u>(58,693)</u>
Net Change in Fund Balances	<u>(228,804)</u>	<u>(158,289)</u>	<u>727,589</u>	<u>(24,867)</u>
Fund Balances:				
July 1,	3,005,548	3,163,837	2,436,248	2,461,115
June 30,	<u>\$ 2,776,744</u>	<u>3,005,548</u>	<u>3,163,837</u>	<u>2,436,248</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Funds
 Last Four Years

"UNAUDITED"

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 2,091,225	1,995,506	1,855,326	1,890,795
Intermediate sources	19,576			
State sources	7,039,646	6,943,513	6,498,940	6,400,908
Federal sources	1,363,257	1,442,729	2,235,658	2,125,694
Total Revenues	<u>10,513,704</u>	<u>10,381,748</u>	<u>10,589,924</u>	<u>10,417,397</u>
Expenditures:				
Instruction	6,326,716	6,338,625	6,174,760	6,397,630
Support services	3,259,146	3,269,183	3,063,423	2,999,302
Noninstructional services	878,732	821,634	863,309	798,325
Facilities acquisition and construction	145,914	116,958		70,125
Debt service:				
Principal	104,000	145,000	146,000	
Interest	2,330	5,578	2,212	
Total Expenditures	<u>10,716,838</u>	<u>10,696,978</u>	<u>10,249,704</u>	<u>10,265,382</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(203,134)</u>	<u>(315,230)</u>	<u>340,220</u>	<u>152,015</u>
Other Financing Sources (Uses):				
Bonds and notes issued			395,000	
Insurance recovery			35,736	
Sale of transportation equipment	3,883	2,577		
Operating transfers in	29,021	114,697	115,066	155,767
Operating transfers out	(29,021)	(114,697)	(115,066)	(155,767)
Total Other Financing Sources (Uses)	<u>3,883</u>	<u>2,577</u>	<u>430,736</u>	<u>0</u>
Net Change in Fund Balances	(199,251)	(312,653)	770,956	152,015
Fund Balances:				
July 1,	3,365,392	3,677,803	2,902,791	2,755,432
Increase (Decrease) in inventory	792	242	4,056	(4,656)
June 30,	<u>\$ 3,166,933</u>	<u>3,365,392</u>	<u>3,677,803</u>	<u>2,902,791</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
North Tippah Consolidated School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Tippah Consolidated School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the North Tippah Consolidated School District's basic financial statements, and have issued our report thereon dated November 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Tippah Consolidated 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*.

Purpose of this Report

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

This report is intended solely for the information and use of management, the school board, others within the entity, and 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 18, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REQUIRED BY
OMB CIRCULAR A-133

Superintendent and School Board
North Tippah Consolidated School District

Report on Compliance for Each Major Federal Program

We have audited North Tippah Consolidated 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 its major federal program for the year ended June 30, 2013. The North Tippah Consolidated School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for North Tippah Consolidated School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

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Opinion on Each Major Federal Program

In our opinion, the North Tippah Consolidated School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the North Tippah Consolidated School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Tippah Consolidated School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 18, 2013

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
North Tippah Consolidated School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Tippah Consolidated School District as of and for the year ended June 30, 2013, which collectively comprise the North Tippah Consolidated School District's basic financial statements and have issued our report thereon dated November 18, 2013. 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 ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$7,547 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 ensure 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, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 18, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

North Tippah Consolidated School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major 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>
10.553 & 10.555	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

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: Findings and Questioned Costs for Federal Awards

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