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SOUTH TIPPAH SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

SOUTH TIPPAH SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
South Tippah 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 South Tippah School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the South Tippah 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.

Auditors' 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 entity'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.

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 South Tippah School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 8-17 and 43-48 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 South Tippah 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 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 December 11, 2013, on our consideration of the South Tippah School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 South Tippah School District's internal control over financial reporting and compliance.

Eaton, Babb + Smith

Ripley, Mississippi
December 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of South Tippah 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 $236,115, which represents a 1.13% decrease from fiscal year 2012. Total net position for 2012 increased $285,442, which represents a 1.38% increase from fiscal year 2011.

- General revenues amounted to $17,676,481 and $17,048,887, or 79.04% and 76.44% 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 $4,688,848, or 20.96% of total revenues for 2013, and $5,254,687, or 23.56% of total revenues for 2012.

- The District had $22,601,444 and $22,018,132 in expenses for fiscal years 2013 and 2012; only $4,688,848 for 2013 and $5,254,687 for 2012 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $17,676,481 for 2013 were not adequate to provide for these programs. General revenues of $17,048,887 for 2012 were adequate to provide for these programs.

- Among major funds, the General Fund had $17,475,573 in revenues and $18,163,087 in expenditures for 2013, and $16,877,890 in revenues and $16,543,177 in expenditures in 2012. The General Fund's fund balance decreased by $522,539 from 2012 to 2013, and increased by $286,419 from 2011 to 2012.

- Capital assets, net of accumulated depreciation, increased by $202,716 for 2013 and increased by $645,225 for 2012. The increase for 2013 was due to the addition of $558,297 in construction in progress coupled with the increase in accumulated depreciation.

- Long-term debt decreased by $24,176 for 2013 and decreased by $47,043 for 2012. This decrease for 2013 was due primarily to the issuance of shortfall notes payable in the amount of $130,293 and principal payments on outstanding long-term debt. The liability for compensated absences decreased by $14,970 for 2013 and increased by $2,551 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 nonfiduciary 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.

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:

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 schedule 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.

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 $20,714,698 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 at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	$ 4,308,036	$ 5,255,275	-18.02%
Restricted assets	415,166	267,212	55.37%
Capital assets, net	18,621,193	18,418,477	1.10%
Total assets	**23,344,395**	**23,940,964**	**-2.49%**
Current liabilities	179,543	515,821	-65.19%
Long-term debt outstanding	2,450,154	2,474,330	-0.98%
Total liabilities	**2,629,697**	**2,990,151**	**-12.05%**
Net position:			
Net investment in capital assets	16,621,193	16,418,477	1.23%
Restricted	1,208,368	1,147,363	5.32%
Unrestricted	2,885,137	3,384,973	-14.77%
Total net position	**$ 20,714,698**	**$ 20,950,813**	**-1.13%**

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

- Increase in net capital assets in the amount of $202,716.
- The principal retirement of $139,499 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were $22,365,329 and $22,303,574, respectively. The total cost of all programs and services was $22,601,444 for 2013 and $22,018,132 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 in Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 758,349	$ 719,700	5.37%
Operating grants and contributions	3,764,571	4,323,548	-12.93%
Capital grants and contributions	165,928	211,439	-21.52%
General revenues:			
Property taxes	3,497,916	3,524,017	-0.74%
Grants and contributions not restricted	13,965,751	13,284,871	5.13%
Investment earnings	41,004	72,795	-43.67%
Other	171,810	167,204	2.75%
Total revenues	**22,365,329**	**22,303,574**	**0.28%**
Expenses:			
Instruction	13,376,022	13,343,203	0.25%
Support services	7,610,434	7,138,706	6.61%
Non-instructional	1,607,567	1,526,888	5.28%
Interest on long-term liabilities	7,421	9,335	-20.50%
Total expenses	**22,601,444**	**22,018,132**	**2.65%**
Increase (decrease) in net position	**(236,115)**	**285,442**	**-182.72%**
Net position, July 1	**20,950,813**	**20,665,371**	**1.38%**
Net position, June 30	**$ 20,714,698**	**$ 20,950,813**	**-1.13%**

Figure 1
Sources of Revenues for Fiscal Year 2013

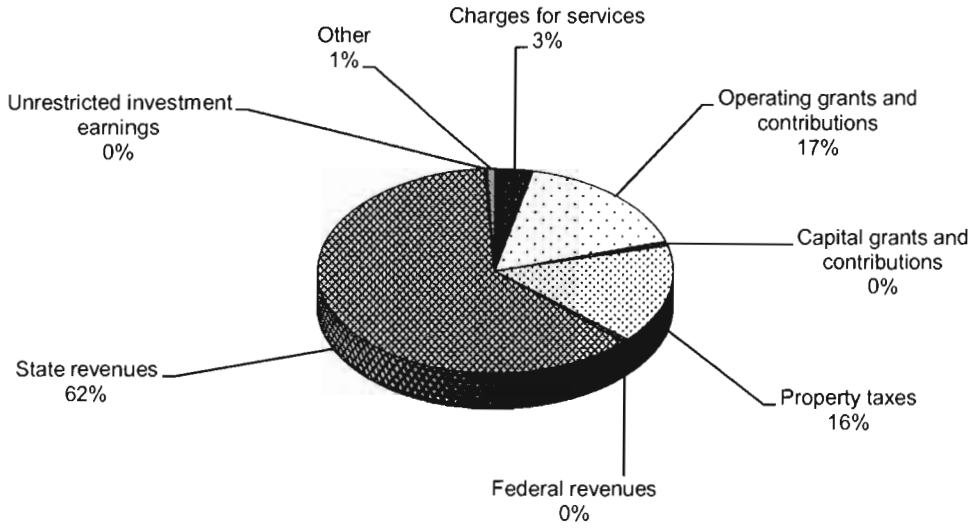
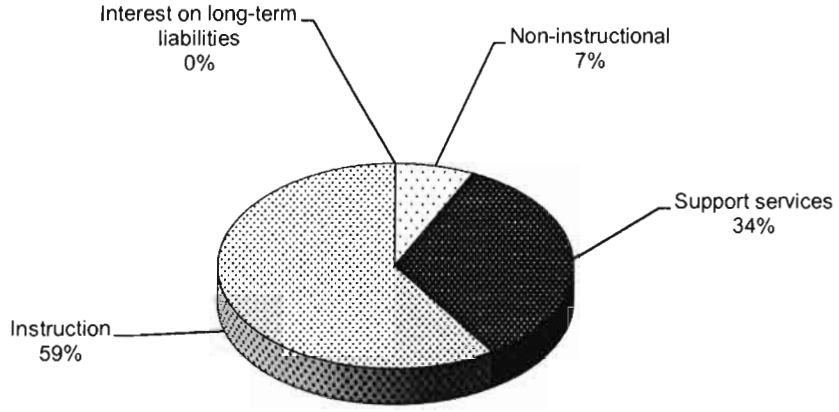


Figure 2
Expenses for Fiscal Year 2013



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.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2013	2012	Change
Instruction	$ 13,376,022	$ 13,343,203	0.25%
Support services	7,610,434	7,138,706	6.61%
Non-instructional	1,607,567	1,526,888	5.28%
Interest on long-term liabilities	7,421	9,335	-20.50%
Total expenses	**$ 22,601,444**	**$ 22,018,132**	**2.65%**

	Net (Expense) Revenue		Percentage
	2013	2012	Change
Instruction	$ (10,844,387)	$ (10,514,029)	3.14%
Support services	(6,854,894)	(5,972,722)	14.77%
Non-instructional	(205,894)	(267,359)	-22.99%
Interest on long-term liabilities	(7,421)	(9,335)	-20.50%
Total net (expense) revenue	**$ (17,912,596)**	**$ (16,763,445)**	**6.86%**

- Net cost of governmental activities ($17,912,596 for 2013 and $16,763,445 for 2012) was financed by general revenue, which is primarily made up of property taxes ($3,497,916 for 2013 and $3,524,017 for 2012) and state and federal revenues ($13,965,751 for 2013 and $13,284,871 for 2012).

- Investment earnings amounted to $41,004 for 2013 and $72,795 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 $4,535,745, a decrease of $460,757, which includes a decrease in inventory of $6,941. $1,533,004 or 33.80% 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 $3,002,741 or 66.20% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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 $522,539. The fund balance of Other Governmental Funds showed an increase in the amount of $172,139. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
School Food Service Fund	$ (110,357)
Title I-A Basic Fund	no increase or decrease
EHA, Part B Grant Fund	no increase or decrease
Title IV-B 21st Century 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.

- Budget amounts for General Fund revenue from local sources overestimated ad valorem tax revenues by $35,589.
- Budget amounts for General Fund revenue from local sources overestimated interest on cash revenues by $24,074.
- Budget amounts for General Fund revenue from local sources underestimated student activities revenues by $75,727.
- Budget amounts for General Fund revenue from local sources underestimated contributions revenues by $36,699.
- Budget amounts for General Fund revenue from federal sources underestimated e-rate revenues by $33,271.
- Original budget amounts for General Fund other financing sources did not take into account the shortfall note proceeds in the amount of $130,293.
- Original budget amounts for General Fund expenditures were overestimated in facilities acquisition and construction by $1,222,611.
- Actual expenditures were below budget, primarily because the District budgets from fund balance for unplanned expenditures (contingency). The District didn't spend the entire contingency amount.
- Budget amounts for School Food Service Fund revenue from federal sources underestimated National School Lunch revenues in the amount of $201,534.
- Original budget amounts for School Food Service Fund other financing sources did not take into account indirect cost in the amount of $58,000.
- Actual expenditures were below budget, because the total project amount for EHA, Part B Grant Fund was budgeted for July 1–June 30, 2013, but all amounts were not spent until the next fiscal year.
- Actual expenditures were below budget, because the total project amount for Title IV-B 21st Century Fund was budgeted for July 1–June 30, 2013, but all amounts were not spent until the next fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were $27,661,385, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of $813,055 from 2012. Total accumulated depreciation as of June 30, 2013, was $9,040,192, and total depreciation expense for the year was $680,442, resulting in total net capital assets of $18,621,193.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2013	June 30, 2012	Percentage Change
Land	$ 238,944	$ 170,967	39.76%
Construction in progress	309,310	212,551	45.52%
Buildings	15,759,597	16,059,168	-1.87%
Buiulding Improvements	459,244	490,410	-6.36%
Improvements other than buildings	738,457	317,272	132.75%
Mobile equipment	804,107	896,321	-10.29%
Furniture and equipment	311,534	271,788	14.62%
Total	**$ 18,621,193**	**$ 18,418,477**	**1.10%**

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

Debt Administration. At June 30, 2013, the District had $2,450,154 in outstanding long-term debt, of which $126,910 is due within one year. The liability for compensated absences decreased $14,970 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
Shortfall notes payable	$ 256,640	$ 265,846	-3.46%
Qualified school construction bonds payable	2,000,000	2,000,000	0.00%
Compensated absences payable	193,514	208,484	-7.18%
Total	**$ 2,450,154**	**$ 2,474,330**	**-0.98%**

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

CURRENT ISSUES

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

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

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

Enrollment for the 2012-2013 year increased by 1.25% to 2,590 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

SOUTH TIPPAH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit A

	Governmental Activities
ASSETS:	
Cash and cash equivalents	$ 3,252,053
Due from other governments	1,012,892
Accrued interest receivable	1,817
Other receivables, net	262
Inventories	26,273
Deferred debt issuance costs	14,739
Restricted assets	415,166
Capital assets, non-depreciable:	
Land	238,944
Construction in progress	309,310
Capital assets, net of accumulated depreciation:	
Buildings	15,759,597
Building improvements	459,244
Improvements other than buildings	738,457
Mobile equipment	804,107
Furniture and equipment	311,534
Total Assets	**23,344,395**
LIABILITIES:	
Accounts payable and accrued liabilities	169,058
Unearned revenue	3,660
Interest payable on long-term liabilities	6,825
Long-term liabilities, due within one year:	
Non-capital related liabilities	126,910
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,000,000
Non-capital related liabilities	323,244
Total Liabilities	**2,629,697**
NET POSITION:	
Net investment in capital assets	16,621,193
Restricted net position:	
Expendable:	
School-based activities	614,348
Debt service	537,408
Unemployment benefits	56,612
Unrestricted	2,885,137
Total Net Position	**$ 20,714,698**

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 13,376,022	$ 492,252	$ 2,020,194	$ 19,189	$ (10,844,387)
Support services	7,610,434	-	733,640	21,900	(6,854,894)
Non-instructional services	1,607,567	266,097	1,010,737	124,839	(205,894)
Interest on long-term liabilities	7,421	-	-	-	(7,421)
Total Governmental Activities	**$ 22,601,444**	**$ 758,349**	**$ 3,764,571**	**$ 165,928**	**$ (17,912,596)**
General Revenues:					
Taxes:					
General purpose levies					3,249,947
Debt purpose levies					247,969
Unrestricted grants and contributions:					
State					13,830,815
Federal					134,936
Unrestricted investment earnings					41,004
Other					171,810
Total General Revenues					17,676,481
Change in Net Position					**(236,115)**
Net Position - Beginning					**20,950,813**
Net Position - Ending					**$ 20,714,698**

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

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

Exhibit C

	Major Funds						
	General Fund	School Food Service Fund	Title 1-A Basic Fund	EHA, Part B Grant Fund	Title IV-B 21st Century Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 2,446,731	$ 525,700	$ -	$ -	$ -	$ 279,622	$ 3,252,053
Investments	-	-	-	-	-	415,166	415,166
Due from other governments	490,298	-	89,684	154,946	194,722	83,242	1,012,892
Accrued interest receivable	1,513	232	-	-	-	72	1,817
Other receivables, net	262	-	-	-	-	-	262
Due from other funds	491,812	1,156	-	-	-	12,206	505,174
Inventories	-	26,273	-	-	-	-	26,273
Total Assets	**$ 3,430,616**	**$ 553,361**	**$ 89,684**	**$ 154,946**	**$ 194,722**	**$ 790,308**	**$ 5,213,637**
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	$ 96,702	$ 2,090	$ -	$ 1,084	$ 50,239	$ 18,943	$ 169,058
Due to other funds	13,362	58,000	89,684	153,862	144,483	45,783	505,174
Unearned revenue	-	-	-	-	-	3,660	3,660
Total Liabilities	**110,064**	**60,090**	**89,684**	**154,946**	**194,722**	**68,386**	**677,892**
Fund Balances:							
Nonspendable:							
Inventory	-	26,273	-	-	-	-	26,273
Restricted:							
Debt service	-	-	-	-	-	544,233	544,233
Unemployment benefits	-	-	-	-	-	56,612	56,612
Other purposes	-	466,998	-	-	-	1,010	468,008
Assigned:							
School activities	156,832	-	-	-	-	120,067	276,899
Capital improvements	1,630,716	-	-	-	-	-	1,630,716
Unassigned	1,533,004	-	-	-	-	-	1,533,004
Total Fund Balances	**3,320,552**	**493,271**	-	-	-	**721,922**	**4,535,745**
Total Liabilities and Fund Balances	**$ 3,430,616**	**$ 553,361**	**$ 89,684**	**$ 154,946**	**$ 194,722**	**$ 790,308**	**$ 5,213,637**

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

SOUTH TIPPAH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit C-1

Total Fund Balances - Governmental Funds		**$ 4,535,745**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:		
Land	$ 238,944	
Construction in progress	309,310	
Buildings	20,979,186	
Building improvements	878,552	
Improvements other than buildings	1,008,818	
Mobile equipment	3,017,876	
Furniture and equipment	1,228,699	
Accumulated depreciation	(9,040,192)	18,621,193
2. Long-term liabilities and related accrued interest are not due and payable in the current period, and therefore are not reported in the funds:		
Qualified school construction bonds	(2,000,000)	
Notes payable	(256,640)	
Unamortized debt issuance costs	14,739	
Accrued interest payable	(6,825)	
Compensated absences payable	(193,514)	(2,442,240)
Net Position - Governmental Activities		**$ 20,714,698**

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

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

Exhibit D

	Major Funds						
	General Fund	School Food Service Fund	Title I-A Basic Fund	EHA, Part B Grant Fund	Title IV-B 21st Century Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Local sources	$ 3,603,905	$ 271,879	$ -	$ -	$ -	$ 507,329	$ 4,383,113
Intermediate sources	-	19,405	-	-	-	-	19,405
State sources	13,736,732	14,481	-	-	-	780,804	14,532,017
Federal sources	134,936	1,247,429	657,684	604,844	457,162	249,577	3,351,632
Total Revenues	**17,475,573**	**1,553,194**	**657,684**	**604,844**	**457,162**	**1,537,710**	**22,286,167**
EXPENDITURES:							
Instruction	10,885,199	-	623,558	347,986	353,254	909,333	13,119,330
Support services	6,284,087	181,823	20,955	256,604	100,523	347,836	7,191,828
Non-instructional services	276,412	1,416,947	8,275	254	-	8,202	1,710,090
Facilities acquisition and construction	717,389	-	-	-	-	-	717,389
Debt service:							
Principal	-	-	-	-	-	139,499	139,499
Interest	-	-	-	-	-	6,644	6,644
Other	-	-	-	-	-	668	668
Total Expenditures	**18,163,087**	**1,598,770**	**652,788**	**604,844**	**453,777**	**1,412,182**	**22,885,448**
Excess (Deficiency) of Revenues over (under) Expenditures	**(687,514)**	**(45,576)**	**4,896**	**-**	**3,385**	**125,528**	**(599,281)**
OTHER FINANCING SOURCES (USES):							
Bonds and notes issued	130,293	-	-	-	-	-	130,293
Insurance recovery	13,827	-	-	-	-	-	13,827
Sale of transportation equipment	985	-	-	-	-	-	985
Sale of other property	200	160	-	-	-	-	360
Operating transfers in	66,281	-	-	-	-	46,611	112,892
Operating transfers out	(46,611)	(58,000)	(4,896)	-	(3,385)	-	(112,892)
Total Other Financing Sources (Uses)	**164,975**	**(57,840)**	**(4,896)**	**-**	**(3,385)**	**46,611**	**145,465**
NET CHANGE IN FUND BALANCES	**(522,539)**	**(103,416)**	**-**	**-**	**-**	**172,139**	**(453,816)**
FUND BALANCES:							
July 1, 2012	**3,843,091**	**603,628**	**-**	**-**	**-**	**549,783**	**4,996,502**
Decrease in Reserve for Inventory	**-**	**(6,941)**	**-**	**-**	**-**	**-**	**(6,941)**
June 30, 2013	**$ 3,320,552**	**$ 493,271**	**$ -**	**$ -**	**$ -**	**$ 721,922**	**$ 4,535,745**

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

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

Exhibit D-1

Net Change in Fund Balances - Total Governmental Funds		**$ (453,816)**
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	$ 890,167	
Depreciation expense	(680,442)	209,725
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the govenmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(7,009)
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:		
Bonds and notes issued	(130,293)	
Payments of debt principal	139,499	
Accrued interest payable	(777)	
Deferred issuance costs	(1,473)	6,956
4. Some items reported in the Statement of Activities do not provide or require the use of current financial resources, and therefore, are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	14,970	
Change in inventory reserve	(6,941)	8,029
Change in Net Position of Governmental Activities		**$ (236,115)**

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

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

Exhibit E

	Agency Funds
ASSETS:	
Cash and cash equivalents	$ 947,173
Total Assets	**$ 947,173**
LIABILITIES:	
Accounts payable and accrued liabilities	$ 872,685
Due to student clubs	74,488
Total Liabilities	**$ 947,173**

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

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

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.

2. Restricted net position results when constraints placed on net asset 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 fund accounts for food distribution under the national school breakfast and lunch programs.

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

EHA, Part B Grant Fund – This fund accounts for a federal grant which is used to provide for requirements of special needs students.

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

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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-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.

Note 1 - Summary of Significant Accounting Policies (Continued)

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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 or business type 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 asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds.

	Capitalization Policy	Estimated Useful Life
Land	$0	0
Buildings	$50,000	40 years
Building improvements	$25,000	20 years
Improvements other than buildings	$25,000	20 years
Mobile equipment	$5,000	5-10 years
Furniture and equipment	$5,000	3-7 years

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

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

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

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

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation. Funds restricted for other purposes include the fund balances of the School Food Service and EEF funds.

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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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 realizability of receivables and depreciation. Accordingly, actual results could differ from those estimates.

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $3,252,053, and $947,173, respectively.

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

Investments

As of June 30, 2013, the district had the following investments in a sinking fund restricted for the payment of its Qualified School Construction Bonds described in Note 11.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government securities	AAA	11	$ 415,166

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	School food service fund	$ 58,000
General Fund	Title I-A basic fund	89,684
General Fund	EHA, Part B grant fund	153,862
General Fund	Title IV-B 21st century fund	144,483
General Fund	Other governmental funds	45,783
School food service fund	General Fund	1,156
Other governmental funds	General Fund	12,206
Total		$ 505,174

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. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	$ 46,611
School food service fund	General Fund	58,000
Title I-A basic fund	General Fund	4,896
Title IV-B 21st century fund	General Fund	3,385
Total		$ 112,892

Inter-fund transfers were made for budgetary purposes and for the payment of indirect costs.

Note 4 - Restricted Assets

The restricted assets represent the investment balance of $415,166 in the Qualified School Construction Bond sinking fund described in Note 11.

Note 5 - Capital Assets

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

Governmental Activities:	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Non-depreciable capital assets:				
Land	$ 170,967	$ 67,977	$ -	$ 238,944
Construction in progress	212,551	558,297	461,538	309,310
Total non-depreciable capital assets	383,518	626,274	461,538	548,254
Depreciable capital assets:				
Buildings	20,888,071	91,115	-	20,979,186
Building improvements	878,552	-	-	878,552
Improvements other than buildings	547,280	461,538	-	1,008,818
Mobile equipment	3,045,828	41,350	69,302	3,017,876
Furniture and equipment	1,105,081	131,428	7,810	1,228,699
Total depreciable capital assets	26,464,812	725,431	77,112	27,113,131
Less accumulated depreciation for:				
Buildings	4,828,903	390,686	-	5,219,589
Building improvements	388,142	31,166	-	419,308
Improvements other than buildings	230,008	40,353	-	270,361
Mobile equipment	2,149,507	126,633	62,371	2,213,769
Furniture and equipment	833,293	91,604	7,732	917,165
Total accumulated depreciation	8,429,853	680,442	70,103	9,040,192
Total depreciable capital assets, net	18,034,959	44,989	7,009	18,072,939
Governmental activities capital assets, net	$ 18,418,477	$ 671,263	$ 468,547	$ 18,621,193

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	Amount
Instruction	$ 246,650
Support services	419,961
Non-instructional services	13,831
Total depreciation expense - Governmental activities	$ 680,442

Construction in progress is composed of:

Governmental Activities:	Spent to June 30, 2013	Remaining Commitment
Pine Grove Baseball Field	$ 274,391	$ -
Ripley High Visitor Bleachers	34,919	108,399
	$ 309,310	$ 108,399

Construction projects included in governmental activities are funded with general fund assets.

Note 6 - Long-term Liabilities

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

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year
A. Shortfall notes payable	$ 265,846	$ 130,293	$ 139,499	256,640	$ 126,910
B. Qualified school construction bonds payable	2,000,000	-	-	2,000,000	-
C. Compensated absences payable	208,484	-	14,970	193,514	-
	$ 2,474,330	$ 130,293	$ 154,469	$ 2,450,154	$ 126,910

A. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Revenue Shortfall Note Series 2010	3.0%	6/29/10	7/1/14	$ 129,278	$ 44,375
2. Revenue Shortfall Note Series 2011-A	3.0%	8/16/11	8/16/14	103,919	70,298
3. Revenue Shortfall Note Series 2011-B	3.0%	8/16/11	8/16/14	17,257	11,674
4. Revenue Shortfall Note Series 2012	3.0%	8/21/12	8/21/15	130,293	130,293
				$ 380,747	$ 256,640

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

1. Revenue Shortfall Note Series 2010:

Year Ending June 30,	Principal	Interest	Total
2014	$ 44,375	$ 1,331	$ 45,706

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

2. Revenue Shortfall Note Series 2011-A:

Year Ending June 30,	Principal	Interest	Total
2014	$ 34,630	$ 2,109	$ 36,739
2015	35,668	1,070	36,738
	$ 70,298	$ 3,179	$ 73,477

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

3. Revenue Shortfall Note Series 2011-B:

Year Ending June 30,	Principal	Interest	Total
2014	$ 5,751	$ 350	$ 6,101
2015	5,923	178	6,101
	$ 11,674	$ 528	$ 12,202

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

4. Revenue Shortfall Note Series 2012:

Year Ending June 30,	Principal	Interest	Total
2014	$ 42,154	$ 3,909	$ 46,063
2015	43,418	2,645	46,063
2016	44,721	1,341	46,062
	$ 130,293	$ 7,895	$ 138,188

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

Note 6 – Long-term Liabilities (Continued)

Total shortfall notes payable payments for all issues:

Year Ending June 30,	Principal	Interest	Total
2014	$ 126,910	$ 7,699	$ 134,609
2015	85,009	3,893	88,902
2016	44,721	1,341	46,062
	$ 256,640	$ 12,933	$ 269,573

B. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
I. Qualified School Construction Bonds					
Limited-Tax Note, Series 2009	0.00%	9/15/09	9/15/23	$ 2,000,000	$ 2,000,000

C. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

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

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 $1,733,364, $1,481,599 and $1,356,617, respectively, which equaled the required contributions for each year.

Note 9 – Contingencies

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

Note 10 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 11 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

Note 11 – Qualified School Construction Bonds (Continued)

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit in the school district's sinking fund at June 30, 2013, was $415,166. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district, the interest on the bonds, and the anticipated credit payments from the federal government.

Year Ending June 30,		Amount
2014	$	144,000
2015		145,000
2016		145,000
2017		145,000
2018		145,000
2019-2023		725,000
2024-2028		145,000
	$	1,594,000

The EEF Buildings and Buses revenue has been pledged for this debt. On November 9, 2009, the South Tippah School Board pledged its EEF Buildings and Buses revenue of $73,774 annually for payment on the Qualified School Construction Bonds loan, subject to any prior pledge for the benefit of any obligation that is currently outstanding. The debt issued was for the purpose of construction, repairs, and equipment for the school district. The commitment began with fiscal year 2011 and ends with fiscal year 2025. The revenue from the state varies from year to year, but is all used for the debt retirement. For fiscal year 2013, the EEF revenue was $83,593, and $82,583 of these funds were applied to the required sinking fund payment. The remainder of the sinking fund payment of $61,417 was paid with ad valorem taxes levied for the repayment of debt and with interest earnings in the sinking fund.

Note 12 – Alternative School Consortium

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

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

Note 12 – Alternative School Consortium (Continued)

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

Note 13 – Vocational School Consortium

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

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, 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.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Pontotoc Ridge Career and Technical Center.

Note 13 – Vocational School Consortium (Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

Revenues	
Local Sources:	
Taxes	$ 249,351
Interest	742
Total Local Sources	250,093
State Sources	433,750
Total Revenues	683,843
Expenditures	
Salaries	439,624
Employee benefits	138,783
Purchased property services	43,605
Other purchased services	37,678
Supplies	18,889
Total Expenditures	678,579
Excess of Revenues Over Expenditures	5,264
Other Financing Sources/Uses	
Operating transfers out	(6,101)
Total Other Financing Sources/Uses	(6,101)
Net Change in Fund Balance	(837)
Fund Balance:	
July 1, 2012	120,904
June 30, 2013	$ 120,067

Note 14 – Subsequent Events

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 South Tippah School District evaluated the activity of the district through December 11, 2013, the date the financial statements were available to be issued, and determined that the following event has occurred that requires disclosure in the notes to the financial statements:

On July 1, 2013, the South Tippah School District issued three-mill notes in the principal amount of $290,000, requiring interest at 2.25%. The loan proceeds were used to purchase three new school buses for $235,605.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH TIPPAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES:					
Local sources	$ 3,527,184	$ 3,603,905	$ 3,603,905	$ 76,721	$ -
State sources	13,762,355	13,736,732	13,736,732	(25,623)	-
Federal sources	90,000	134,936	134,936	44,936	-
Total Revenues	**17,379,539**	**17,475,573**	**17,475,573**	**96,034**	**-**
EXPENDITURES:					
Instruction	10,935,552	10,885,199	10,885,199	50,353	-
Support services	6,271,730	6,284,087	6,284,087	(12,357)	-
Non-instructional services	215,500	276,412	276,412	(60,912)	-
Facilities acquisition and construction	1,940,000	717,389	717,389	1,222,611	-
Total Expenditures	**19,362,782**	**18,163,087**	**18,163,087**	**1,199,695**	**-**
Excess (Deficiency) of Revenues over (under) Expenditures	**(1,983,243)**	**(687,514)**	**(687,514)**	**1,295,729**	**-**
OTHER FINANCING SOURCES (USES):					
Bonds and notes issued	-	130,293	130,293	130,293	-
Insurance recovery	-	13,827	13,827	13,827	-
Sale of transportation equipment	-	985	985	985	-
Sale of other property	-	200	200	200	-
Operating transfers in	10,000	66,281	66,281	56,281	-
Operating transfers out	(69,620)	(46,611)	(46,611)	23,009	-
Total Other Financing Sources (Uses)	**(59,620)**	**164,975**	**164,975**	**224,595**	**-**
NET CHANGE IN FUND BALANCE	**(2,042,863)**	**(522,539)**	**(522,539)**	**1,520,324**	**-**
FUND BALANCE:					
July 1, 2012	**3,739,487**	**3,739,487**	**3,843,091**	**-**	**103,604**
June 30, 2013	**$ 1,696,624**	**$ 3,216,948**	**$ 3,320,552**	**$ 1,520,324**	**$ 103,604**

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

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES:					
Local sources	$ 294,000	$ 271,879	$ 271,879	$ (22,121)	$ -
Intermediate sources	-	19,405	19,405	19,405	-
State sources	15,000	14,481	14,481	(519)	-
Federal sources	1,050,000	1,247,429	1,247,429	197,429	-
Total Revenues	**1,359,000**	**1,553,194**	**1,553,194**	**194,194**	**-**
EXPENDITURES:					
Support services	321,605	181,823	181,823	139,782	-
Non-instructional services	1,354,535	1,416,947	1,416,947	(62,412)	-
Total Expenditures	**1,676,140**	**1,598,770**	**1,598,770**	**77,370**	**-**
Excess (Deficiency) of Revenues over (under) Expenditures	**(317,140)**	**(45,576)**	**(45,576)**	**271,564**	**-**
OTHER FINANCING SOURCES (USES):					
Sale of other property	-	160	160	160	-
Operating transfers out	-	(58,000)	(58,000)	(58,000)	-
Total Other Financing Sources (Uses)	**-**	**(57,840)**	**(57,840)**	**(57,840)**	**-**
NET CHANGE IN FUND BALANCE	**(317,140)**	**(103,416)**	**(103,416)**	**213,724**	**-**
FUND BALANCE:					
July 1, 2012	**603,628**	**603,628**	**603,628**	**-**	**-**
Decrease in Reserve for Inventory	**-**	**(6,941)**	**(6,941)**	**(6,941)**	**-**
June 30, 2013	**$ 286,488**	**$ 493,271**	**$ 493,271**	**$ 206,783**	**$ -**

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

SOUTH TIPPAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - TITLE I-A BASIC FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES:					
Federal sources	$ 647,180	$ 657,684	$ 657,684	$ 10,504	$ -
Total Revenues	**647,180**	**657,684**	**657,684**	**10,504**	-
EXPENDITURES:					
Instruction	620,452	623,558	623,558	(3,106)	-
Support services	15,728	20,955	20,955	(5,227)	-
Non-instructional services	6,000	8,275	8,275	(2,275)	-
Total Expenditures	**642,180**	**652,788**	**652,788**	**(10,608)**	-
Excess (Deficiency) of Revenues over (under) Expenditures	**5,000**	**4,896**	**4,896**	**(104)**	-
OTHER FINANCING SOURCES (USES):					
Operating transfers out	(5,000)	(4,896)	(4,896)	104	-
Total Other Financing Sources (Uses)	**(5,000)**	**(4,896)**	**(4,896)**	**104**	-
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.

SOUTH TIPPAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - EHA, PART B GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES:					
Federal sources	$ 665,900	$ 604,844	$ 604,844	$ (61,056)	$ -
Total Revenues	**665,900**	**604,844**	**604,844**	**(61,056)**	**-**
EXPENDITURES:					
Instruction	399,155	347,986	347,986	51,169	-
Support services	261,745	256,604	256,604	5,141	-
Non-instructional services	5,000	254	254	4,746	-
Total Expenditures	**665,900**	**604,844**	**604,844**	**61,056**	**-**
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
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.

SOUTH TIPPAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - TITLE IV-B 21ST CENTURY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES:					
Federal sources	$ 498,486	$ 457,162	$ 457,162	$ (41,324)	$ -
Total Revenues	**498,486**	**457,162**	**457,162**	**(41,324)**	-
EXPENDITURES:					
Instruction	367,950	353,254	353,254	14,696	-
Support services	126,825	100,523	100,523	26,302	-
Total Expenditures	**494,775**	**453,777**	**453,777**	**40,998**	-
Excess (Deficiency) of Revenues over (under) Expenditures	**3,711**	**3,385**	**3,385**	**(326)**	-
OTHER FINANCING SOURCES (USES):					
Operating transfers out	(3,711)	(3,385)	(3,385)	326	-
Total Other Financing Sources (Uses)	**(3,711)**	**(3,385)**	**(3,385)**	**326**	-
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.

SOUTH TIPPAH SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

Note 1 – Budgetary Comparison Schedules

1. **Basis of Presentation**

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

2. **Budget Amendments and Revisions**

   The budget is adopted by the school board and is filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison 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

SOUTH TIPPAH 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.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	$ 292,795
National school lunch program	10.555	954,634
Total Child Nutrition Cluster		1,247,429
Total U.S. Department of Agriculture		1,247,429
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the Universal Service Fund	32.XXX	58,271
Total Federal Communications Commission		58,271
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	44,616
Twenty-first century community learning centers	84.287	457,162
Rural education	84.358	51,506
English language acquisition grants	84.365	13,766
Improving teacher quality - state grants	84.367	93,004
Title I grants to local educational agencies	84.010	657,684
Subtotal		1,317,738
Special education cluster:		
Special education - grants to states	84.027	604,844
Special education - preschool grants	84.173	20,934
Total special education cluster		625,778
Total passed-through Mississippi Department of Education		1,943,516
Total U.S. Department of Education		1,943,516
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	10,154
Total U.S. Department of Health and Human Services		10,154
U.S. Department of Transportation		
Passed-through Mississippi Department of Transportation:		
Highway planning and construction	20.205	25,753
Total U.S. Department of Transportation		25,753
Total for All Federal Awards		$ 3,285,123

NOTES TO SCHEDULE

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

SOUTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE,
AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$ 16,781,632	$ 13,357,679	$ 588,388	$ 1,119,076	$ 1,716,489
Other	6,103,816	1,722,216	215,645	71,490	4,094,465
Total	$ 22,885,448	$ 15,079,895	$ 804,033	$ 1,190,566	$ 5,810,954
Total number of students*	2,590				
Cost per student	$ 8,836	$ 5,822	$ 310	$ 460	$ 2,244

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

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

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

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

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

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

OTHER INFORMATION

SOUTH TIPPAH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST FOUR YEARS

"UNAUDITED"

	2013	2012*	2011*	2010*
REVENUES:				
Local sources	$ 3,603,905	$ 3,626,959	$ 3,401,947	$ 3,085,785
State sources	13,736,732	13,131,479	12,372,251	12,149,644
Federal sources	134,936	119,452	122,905	148,200
Total Revenues	**17,475,573**	**16,877,890**	**15,897,103**	**15,383,629**
EXPENDITURES:				
Instruction	10,885,199	10,490,249	8,289,638	9,580,443
Support services	6,284,087	5,585,206	4,980,943	5,357,179
Non-instructional services	276,412	281,921	244,486	278,831
Facilities acquisition and construction	717,389	185,801	-	84,907
Total Expenditures	**18,163,087**	**16,543,177**	**13,515,067**	**15,301,360**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(687,514)**	**334,713**	**2,382,036**	**82,269**
OTHER FINANCING SOURCES (USES):				
Bonds and notes issued	130,293	103,919	-	421,486
Insurance recovery	13,827	436	-	1,387
Sale of transportation equipment	985	-	-	-
Sale of other property	200	-	592	314
Operating transfers in	66,281	9,402	14,149	13,902
Other financing uses	(46,611)	(162,051)	(198,289)	(142,704)
Total Other Financing Sources (Uses)	**164,975**	**(48,294)**	**(183,548)**	**294,385**
NET CHANGE IN FUND BALANCES	**(522,539)**	**286,419**	**2,198,488**	**376,654**
FUND BALANCES:				
July 1	**3,843,091**	**3,556,672**	**1,358,184**	**981,530**
June 30	**$ 3,320,552**	**$ 3,843,091**	**$ 3,556,672**	**$ 1,358,184**

*SOURCE-PRIOR YEAR AUDIT REPORTS

SOUTH TIPPAH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS

"UNAUDITED"

	2013	2012*	2011*	2010*
REVENUES:				
Local sources	$ 4,383,113	$ 4,423,272	$ 4,183,631	$ 3,904,353
Intermediate sources	19,405	-	-	-
State sources	14,532,017	13,964,084	13,326,590	13,048,008
Federal sources	3,351,632	3,829,024	5,590,971	4,657,221
Total Revenues	**22,286,167**	**22,216,380**	**23,101,192**	**21,609,582**
EXPENDITURES:				
Instruction	13,119,330	13,072,256	12,680,998	13,170,128
Support services	7,191,828	6,863,744	6,390,223	6,496,845
Non-instructional services	1,710,090	1,501,804	1,437,238	1,458,019
Facilities acquisition and construction	717,389	1,122,782	1,027,621	193,982
Debt service:				
Principal	139,499	170,770	251,154	178,821
Interest	6,644	9,470	17,424	10,218
Other	668	500	1,500	20,635
Total Expenditures	**22,885,448**	**22,741,326**	**21,806,158**	**21,528,648**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(599,281)**	**(524,946)**	**1,295,034**	**80,934**
OTHER FINANCING SOURCES (USES):				
Bonds and notes issued	130,293	121,176	-	2,421,486
Insurance recovery	13,827	436	-	1,387
Sale of transportation equipment	985	-	-	-
Sale of other property	360	100	1,017	2,125
Operating transfers in	112,892	174,847	212,438	159,557
Operating transfers out	(112,892)	(174,847)	(212,438)	(159,557)
Total Other Financing Sources	**145,465**	**121,712**	**1,017**	**2,424,998**
NET CHANGE IN FUND BALANCES	**(453,816)**	**(403,234)**	**1,296,051**	**2,505,932**
FUND BALANCES:				
July 1	**4,996,502**	**5,401,988**	**4,098,424**	**1,588,410**
Increase (Decrease) in Reserve for Inventory	**(6,941)**	**(2,252)**	**7,513**	**4,082**
June 30	**$ 4,535,745**	**$ 4,996,502**	**$ 5,401,988**	**$ 4,098,424**

*SOURCE-PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
South Tippah School District

We have audited, in accordance with the auditing standards generally accepted in the Unites 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 South Tippah School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise South Tippah School District's basic financial statements, and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Tippah 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 South Tippah School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Tippah 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 there is 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 over financial reporting 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. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2013-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Tippah School District's financial statements are free from 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*.

South Tippah School District's Response to Finding

South Tippah School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. South Tippah School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 school district'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 school district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eaton, Babb + Smith

Ripley, Mississippi
December 11, 2013

Eaton, Babb & Smith
Business Advisors and CPAs
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
South Tippah School District

Report on Compliance for Each Major Federal Program

We have audited South Tippah School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Tippah School District's major federal programs for the year ended June 30, 2013. South Tippah School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of South Tippah 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 South Tippah School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Tippah School District's compliance.

Opinion on Each Major Federal Program

In our opinion, South Tippah 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 South Tippah School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Tippah 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 South Tippah School District's internal control over compliance.

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

Eaton, Babb & Smith

Ripley, Mississippi
December 11, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
South Tippah School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Tippah School District as of and for the year ended June 30, 2013, which collectively comprise South Tippah School District's basic financial statements and have issued our report thereon dated December 11, 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

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

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

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

Eaton, Babb + Smith

Ripley, Mississippi
December 11, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOUTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditors' report issued:	Unqualified
2.	Internal control over financial reporting:	
	a. Material weakness identified?	No
	b. Significant deficiency identified?	Yes
3.	Noncompliance material to the financial statements noted?	No

Federal Awards:

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

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.287	Twenty-First Century Community Learning Centers

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

SOUTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section 2: Financial Statement Findings

Significant Deficiency Not Considered to be a Material Weakness

Finding 2013-1: Noncompliance with Controls over Certain Activity Funds

Condition: Certain internal control policies and procedures established by the school board for activity funds were not being followed at Pine Grove School. The policy regarding activity event gate receipts and concessions includes the counting of cash and reconciling of tickets for events by at least two school staff members other than the Principal and documentation of the counts. The policy requires the deposit of the receipts by the Athletic Director, Assistant Athletic Director, or Principal within twenty-four hours. Board policy also requires timely payment of claims.

During our audit, we noted that the receipt forms we tested were signed by only one staff member and the Principal or were signed only by the Principal. Deposits for those events were made eight to twenty days after the events. We also noted that deposits are often made by others, including the school bookkeeper, rather than by those authorized to do so. During our testing of expenditures, we noted that the phone and utility bills and other invoices were often paid late, which resulted in late charges.

Criteria: Management is responsible for financial accountability and for safeguarding all assets of the school district.

Cause: Pine Grove School personnel failed to comply with school board policies and procedures for handling receipts and paying claims.

Effect: The lack of compliance with school board policy creates opportunities for misappropriation of assets and subsequent concealment and results in unnecessary costs for the school district.

Recommendation: We recommend that the school board require compliance with its policies and procedures for handling cash receipts and for paying claims. Gate receipts and concessions at events should always be counted by more than one person before being turned over to the Principal, Athletic Director, or Assistant Athletic Director. Bookkeepers should not handle cash or make deposits, and deposits should be made as soon as possible. Any un-deposited funds should be kept in a safe place. All claims should be paid timely in order to avoid costly late charges.

Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

SOUTH TIPPAH SCHOOL DISTRICT
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Payroll/Accounting
STACEY STREET
Trans./Alt. School Director
MELINDA MARSALIS
FED. Programs/Testing Coord.
BEVERLY BAYLIS
Food Service Supervisor
ROBIN CHAPMAN
Director of Curriculum/Assessment
KAREN CHURCHILL
SPED Coordinator
PAT LONG
Administrative Assistant

December 11, 2013

As required by Section_.315(c) of OMB Circular A-133 the South Tippah School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013:

Finding		Corrective Action Plan Details
2013-01.	a.	Name of Contact Person Responsible for Corrective Action:
		Mr. Frank Campbell, Superintendent, 662-837-7156
	b.	Corrective Action Planned: South Tippah School District's corrective action plan will be two-fold. First, we will review board policy and make changes if found to be too difficult to follow. Second, we will require each school to follow board policy and to document its compliance with policies and procedures. We will monitor each school's compliance monthly.
	c.	Anticipated Completion Date: January 31, 2014