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**SOUTH TIPPAH SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SOUTH TIPPAH SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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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, 2015, 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 9-17 and 48-52, respectively, 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 basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative, and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative, and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above 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 14, 2015, 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 14, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SOUTH TIPPAH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. 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 2015 decreased \$25,393,478, including a prior period adjustment of (\$25,599,128), which represents a 127.67% decrease from fiscal year 2014. Total net position for 2014 decreased \$824,851, which represents a 3.98% decrease from fiscal year 2013.
- General revenues amounted to \$19,185,679 and \$17,931,638, or 79.59% and 78.77% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,919,113 or 20.41% of total revenues for 2015, and \$4,833,752 or 21.23% of total revenues for 2014.
- The District had \$23,899,142 and \$23,590,241 in expenses for fiscal years 2015 and 2014; only \$4,919,113 for 2015 and \$4,833,752 for 2014 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$19,185,679 for 2015 were adequate to provide for these programs, and general revenues of \$17,931,638 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,208,338 in revenues and \$18,852,833 in expenditures for 2015, and \$17,905,550 in revenues and \$18,874,933 in expenditures for 2014. The General Fund's fund balance increased by \$303,529 from 2014 to 2015, and decreased by \$675,768 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$444,421 for 2015 and decreased by \$8,786 for 2014. The decrease for 2015 was due to the addition of three buses in the amount of \$239,925 coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$140,399 for 2015 and increased by \$163,091 for 2014. This increase for 2015 was due primarily to the issuance of three mill notes payable in the amount of \$294,955, issuance of shortfall notes payable in the amount of \$80,300 and principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$5,846 for 2015 and decreased by \$6,174 for 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

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

**SOUTH TIPPAH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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.

**SOUTH TIPPAH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions, 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,503,631 as of June 30, 2015.

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.

**SOUTH TIPPAH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1  
Condensed Statement of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<b>Percentage Change</b>
Current assets	\$ 4,053,760	\$ 3,707,283	9.35 %
Restricted assets	705,527	557,993	26.44 %
Capital assets, net	18,167,986	18,612,407	-2.39 %
<b>Total assets</b>	<b><u>22,927,273</u></b>	<b><u>22,877,683</u></b>	<b>0.22 %</b>
<b>Deferred outflows of resources</b>	<b><u>2,882,625</u></b>	<b><u>-</u></b>	<b>N/A %</b>
Current liabilities	297,054	380,765	-21.98 %
Long-term debt outstanding	2,747,470	2,607,071	5.39 %
Net pension liability	24,690,007	-	N/A %
<b>Total liabilities</b>	<b><u>27,734,531</u></b>	<b><u>2,987,836</u></b>	<b>828.25 %</b>
<b>Deferred inflows of resources</b>	<b><u>3,578,998</u></b>	<b><u>-</u></b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	15,727,031	16,322,407	-3.65 %
Restricted	1,513,919	1,239,727	22.12 %
Unrestricted	(22,744,581)	2,327,713	-1,077.12 %
<b>Total net position (deficit)</b>	<b><u>\$ (5,503,631)</u></b>	<b><u>\$ 19,889,847</u></b>	<b>-127.67 %</b>

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (22,744,581)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	<u>25,386,380</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,641,799</u>

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

- Decrease in net capital assets in the amount of \$444,421.
- The principal retirement of \$229,010 of long-term debt.

**Changes in Net Position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$24,104,792 and \$22,765,390, respectively. The total cost of all programs and services was \$23,899,142 for 2015 and \$23,590,241 for 2014.

**SOUTH TIPPAH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

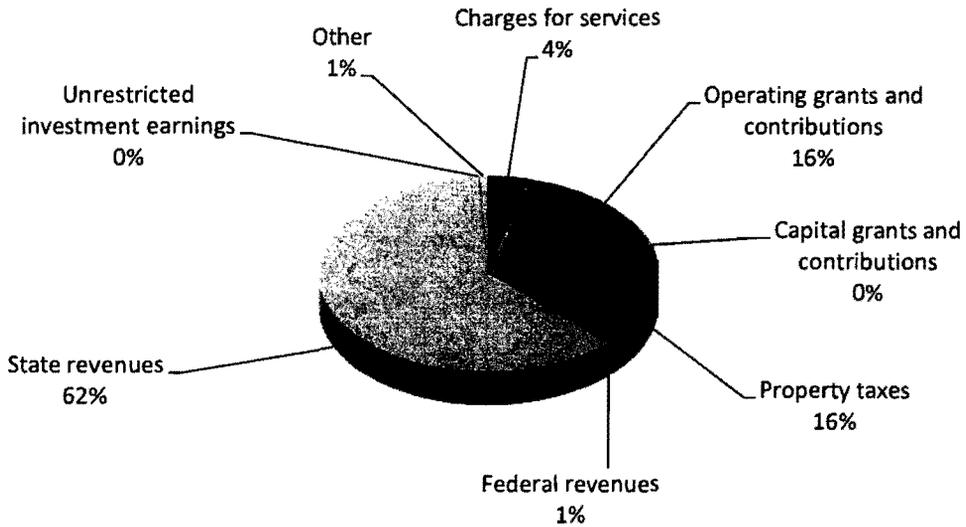
GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2  
Changes in Net Position**

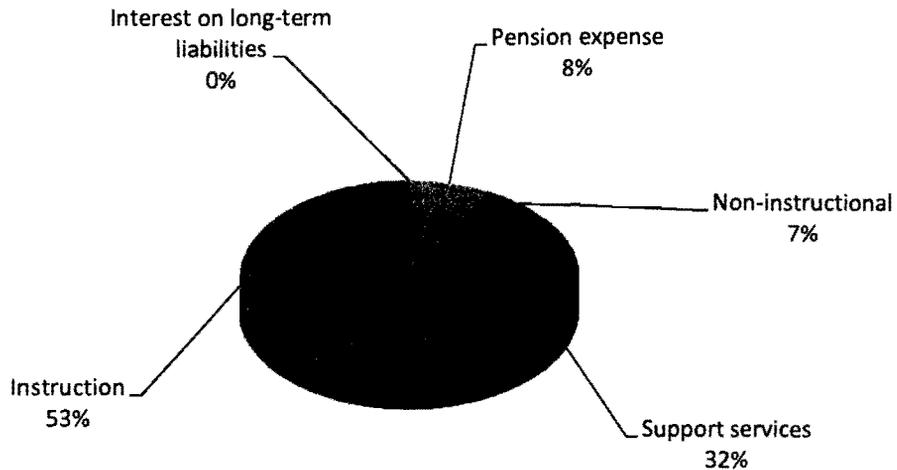
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 938,184	\$ 884,672	6.05 %
Operating grants and contributions	3,973,542	3,823,429	3.93 %
Capital grants and contributions	7,387	125,651	-94.12 %
General revenues:			
Property taxes	3,966,581	3,585,889	10.62 %
Grants and contributions not restricted	14,995,236	14,131,048	6.12 %
Investment earnings	34,114	30,349	12.41 %
Other	189,748	184,352	2.93 %
<b>Total Revenues</b>	<u><b>24,104,792</b></u>	<u><b>22,765,390</b></u>	<b>5.88 %</b>
<b>Expenses:</b>			
Instruction	12,603,649	13,942,618	-9.60 %
Support services	7,777,470	7,911,252	-1.69 %
Non-instructional	1,676,138	1,712,353	-2.11 %
Pension expense	1,834,224	-	N/A %
Interest on long-term liabilities	7,661	24,018	-68.10 %
<b>Total Expenses</b>	<u><b>23,899,142</b></u>	<u><b>23,590,241</b></u>	<b>1.31 %</b>
<b>Increase (Decrease) in Net Position</b>	<u><b>205,650</b></u>	<u><b>(824,851)</b></u>	<b>124.93 %</b>
<b>Net Position, July 1, as previously reported</b>	<u><b>19,889,847</b></u>	<u><b>20,714,698</b></u>	<b>-3.98 %</b>
<b>Prior Period Adjustments</b>	<u><b>(25,599,128)</b></u>	<u><b>-</b></u>	<b>N/A %</b>
<b>Net Position (Deficit), July 1, as restated</b>	<u><b>(5,709,281)</b></u>	<u><b>20,714,698</b></u>	<b>-127.56 %</b>
<b>Net Position (Deficit), June 30</b>	<u><b>\$ (5,503,631)</b></u>	<u><b>\$ 19,889,847</b></u>	<b>-127.67 %</b>

**SOUTH TIPPAH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Figure 1  
Sources of Revenues for Fiscal Year 2015**



**Figure 2  
Expenses for Fiscal Year 2015**



**SOUTH TIPPAH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Governmental Activities**

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, pension expense, 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage</u>
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Instruction	\$ 12,603,649	\$ 13,942,618	-9.60 %
Support services	7,777,470	7,911,252	-1.69 %
Non-instructional	1,676,138	1,712,353	-2.11 %
Pension expense	1,834,224	-	N/A %
Interest on long-term liabilities	7,661	24,018	-68.10 %
<b>Total expenses</b>	<b><u>\$ 23,899,142</u></b>	<b><u>\$ 23,590,241</u></b>	<b>1.31 %</b>

	<u>Net (Expense) Revenue</u>		<u>Percentage</u>
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Instruction	\$ (9,926,262)	\$ (11,347,128)	-12.52 %
Support services	(6,948,044)	(7,098,173)	-2.12 %
Non-instructional	(263,838)	(287,170)	-8.12 %
Pension expense	(1,834,224)	-	N/A %
Interest on long-term liabilities	(7,661)	(24,018)	-68.10 %
<b>Total net (expense) revenue</b>	<b><u>\$ (18,980,029)</u></b>	<b><u>\$ (18,756,489)</u></b>	<b>1.19 %</b>

- Net cost of governmental activities (\$18,980,029 for 2015 and \$18,756,489 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$3,966,581 for 2015 and \$3,585,889 for 2014) and state and federal revenues (\$14,995,236 for 2015 and \$14,131,048 for 2014).
- Investment earnings amounted to \$34,114 for 2015 and \$30,349 for 2014.

**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 \$4,469,356, an increase of \$574,966, which includes a prior period adjustment of (\$48) and an increase in inventory of \$3,199. \$1,488,979 or 33.32% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not

**SOUTH TIPPAH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$2,980,377 or 66.68% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$303,529, which includes a prior period adjustment of (\$48). The fund balance of Other Governmental Funds showed an increase in the amount of \$122,923, which includes an increase in inventory of \$3,199, due primarily to new grant revenue. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title IV-B 21st Century	no increase or decrease
QSCB Debt Retirement	\$ 148,514

**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 \$54,962.
- Budget amounts for General Fund revenue from local sources underestimated student activities revenues by \$148,751.
- Budget amounts for General Fund revenue from local sources underestimated contributions revenues by \$84,874.
- Budget amounts for General Fund revenue from state sources underestimated MAEP revenues by \$56,095.
- Budget amounts for General Fund revenue from state sources underestimated master teacher revenues by \$55,889.
- Budget amounts for General Fund revenue from state sources overestimated revenue in lieu of taxes revenues by \$29,975.
- Budget amounts for General Fund revenue from federal sources underestimated Medicaid revenues by \$29,952.
- Budget amounts for General Fund revenue from federal sources underestimated E-rate revenues by \$10,179.
- Original budget amounts for General Fund other financing sources did not take into account the shortfall note proceeds in the amount of \$80,300.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$28,533,671, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$228,360 from 2014. Total accumulated depreciation as of June 30, 2015, was \$10,365,685, and total depreciation expense for the year was \$726,204, resulting in total net capital assets of \$18,167,986.

**SOUTH TIPPDAH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>Percentage Change</b>
Land	\$ 238,944	\$ 238,944	0.00 %
Buildings	14,978,226	15,368,911	-2.54 %
Building improvements	396,911	428,078	-7.28 %
Improvements other than buildings	1,267,793	1,327,159	-4.47 %
Mobile equipment	999,361	903,715	10.58 %
Furniture and equipment	286,751	345,600	-17.03 %
<b>Total</b>	<b>\$ 18,167,986</b>	<b>\$ 18,612,407</b>	<b>-2.39 %</b>

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

**Debt Administration.** At June 30, 2015, the District had \$2,747,470 in outstanding long-term debt, of which \$362,959 is due within one year. The liability for compensated absences decreased \$5,846 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>Percentage Change</b>
Three mill notes payable	\$ 440,955	\$ 290,000	52.05 %
Shortfall notes payable	125,021	129,731	-3.63 %
Qualified school construction bonds payable	2,000,000	2,000,000	0.00 %
Compensated absences payable	181,494	187,340	-3.12 %
<b>Total</b>	<b>\$ 2,747,470</b>	<b>\$ 2,607,071</b>	<b>5.39 %</b>

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

**CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial 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 2014-2015 year decreased by 1.39% to 2,834 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, 2015**

Exhibit A

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 3,293,403
Due from other governments	727,283
Accrued interest receivable	7,101
Inventories	25,973
Restricted assets	705,527
Capital assets, non-depreciable:	
Land	238,944
Capital assets, net of accumulated depreciation:	
Buildings	14,978,226
Building improvements	396,911
Improvements other than buildings	1,267,793
Mobile equipment	999,361
Furniture and equipment	286,751
<b>Total Assets</b>	<u><b>22,927,273</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pensions	<u><b>2,882,625</b></u>
<b>LIABILITIES:</b>	
Accounts payable and accrued liabilities	287,403
Unearned revenue	2,528
Interest payable on long-term liabilities	7,123
Long-term liabilities, due within one year:	
Capital related liabilities	292,000
Non-capital related liabilities	70,959
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,148,955
Non-capital related liabilities	235,556
Net pension liability	24,690,007
<b>Total Liabilities</b>	<u><b>27,734,531</b></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Pensions	<u><b>3,578,998</b></u>
<b>NET POSITION:</b>	
Net investment in capital assets	15,727,031
Restricted for:	
Expendable:	
School-based activities	422,262
Debt service	926,725
Capital improvements	106,643
Unemployment benefits	58,289
Unrestricted	(22,744,581)
<b>Total Net Position (Deficit)</b>	<u><u><b>\$ (5,503,631)</b></u></u>

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

**SOUTH TIPPAAH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 12,603,649	\$ 709,699	\$ 1,967,688	\$ -	\$ (9,926,262)
Support services	7,777,470	-	822,039	7,387	(6,948,044)
Non-instructional	1,676,138	228,485	1,183,815	-	(263,838)
Pension expense	1,834,224	-	-	-	(1,834,224)
Interest on long-term liabilities	7,661	-	-	-	(7,661)
<b>Total Governmental Activities</b>	<b>\$ 23,899,142</b>	<b>\$ 938,184</b>	<b>\$ 3,973,542</b>	<b>\$ 7,387</b>	<b>\$ (18,980,029)</b>
General Revenues:					
Taxes:					
General purpose levies					3,662,403
Debt purpose levies					304,178
Unrestricted grants and contributions:					
State					14,834,841
Federal					160,395
Unrestricted investment earnings					34,114
Other					189,748
<b>Total General Revenues</b>					<b>19,185,679</b>
<b>Change in Net Position</b>					<b>205,650</b>
<b>Net Position - Beginning, as previously reported</b>					<b>19,889,847</b>
<b>Prior Period Adjustments</b>					<b>(25,599,128)</b>
<b>Net Position (Deficit) - Beginning, as restated</b>					<b>(5,709,281)</b>
<b>Net Position (Deficit) - Ending</b>					<b>\$ (5,503,631)</b>

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

**SOUTH TIPPAH SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015**

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Title IV-B 21st Century Fund	QSCB Debt Retirement Fund	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,505,830	\$ -	\$ -	\$ 787,573	\$ 3,293,403
Investments	-	-	705,527	-	705,527
Due from other governments	542,785	72,889	-	111,609	727,283
Accrued interest receivable	1,756	-	5,088	257	7,101
Due from other funds	136,028	-	-	-	136,028
Inventories	-	-	-	25,973	25,973
<b>Total Assets</b>	<b>\$ 3,186,399</b>	<b>\$ 72,889</b>	<b>\$ 710,615</b>	<b>\$ 925,412</b>	<b>\$ 4,895,315</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 238,086	\$ 29,306	\$ -	\$ 20,011	\$ 287,403
Due to other funds	-	43,583	-	92,445	136,028
Unearned revenue	-	-	-	2,528	2,528
<b>Total Liabilities</b>	<b>238,086</b>	<b>72,889</b>	<b>-</b>	<b>114,984</b>	<b>425,959</b>
<b>Fund Balances:</b>					
Nonspendable:					
Inventory	-	-	-	25,973	25,973
Restricted:					
Debt service	-	-	710,615	223,234	933,849
Capital projects	-	-	-	106,643	106,643
Grant activities	-	-	-	29,249	29,249
Unemployment benefits	-	-	-	58,289	58,289
Food services	-	-	-	298,460	298,460
Assigned:					
Capital improvements	1,318,331	-	-	-	1,318,331
Activity funds	141,003	-	-	-	141,003
Vocational center maintenance	-	-	-	68,580	68,580
Unassigned	1,488,979	-	-	-	1,488,979
<b>Total Fund Balances</b>	<b>2,948,313</b>	<b>-</b>	<b>710,615</b>	<b>810,428</b>	<b>4,469,356</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,186,399</b>	<b>\$ 72,889</b>	<b>\$ 710,615</b>	<b>\$ 925,412</b>	<b>\$ 4,895,315</b>

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, 2015**

Exhibit C-1

<b>Total Fund Balances for Governmental Funds</b>		<b>\$ 4,469,356</b>
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	
Buildings	20,979,186	
Building improvements	878,552	
Improvements other than buildings	1,664,083	
Mobile equipment	3,391,232	
Furniture and equipment	1,381,674	
Accumulated depreciation	<u>(10,365,685)</u>	18,167,986
2. Some liabilities, including net position obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(24,690,007)
Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	2,882,625	
Deferred inflows of resources related to pensions	<u>(3,578,998)</u>	(25,386,380)
3. Long-term liabilities and related accrued interest are not due and payable in the current period, and, therefore, are not reported in the funds:		
Limited obligation bonds	(2,000,000)	
Notes payable	(565,976)	
Compensated absences	(181,494)	
Accrued interest payable	<u>(7,123)</u>	(2,754,593)
<b>Net Position (Deficit) of Governmental Activities</b>		<b><u>\$ (5,503,631)</u></b>

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, 2015**

Exhibit D

	Major Fund				Total Governmental Funds
	General Fund	Title IV-B 21st Century Fund	QSCB Debt Retirement Fund	Other Governmental Funds	
<b>REVENUES:</b>					
Local sources	\$ 4,290,518	\$ -	\$ 15,723	\$ 794,075	\$ 5,100,316
State sources	14,757,425	-	-	913,846	15,671,271
Federal sources	160,395	331,315	-	2,813,184	3,304,894
<b>Total Revenues</b>	<b>19,208,338</b>	<b>331,315</b>	<b>15,723</b>	<b>4,521,105</b>	<b>24,076,481</b>
<b>EXPENDITURES:</b>					
Instruction	11,635,477	234,443	-	1,971,773	13,841,693
Support services	6,878,694	94,536	-	1,103,701	8,076,931
Non-instructional services	338,662	-	-	1,378,893	1,717,555
Debt service:					
Principal	-	-	-	229,010	229,010
Interest	-	-	-	10,417	10,417
Other	-	-	1,395	2,920	4,315
<b>Total Expenditures</b>	<b>18,852,833</b>	<b>328,979</b>	<b>1,395</b>	<b>4,696,714</b>	<b>23,879,921</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>355,505</b>	<b>2,336</b>	<b>14,328</b>	<b>(175,609)</b>	<b>196,560</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Bonds and notes issued	80,300	-	-	294,955	375,255
Payment held by QSCB escrow agent	-	-	134,186	-	134,186
Payment to QSCB escrow agent	-	-	-	(134,186)	(134,186)
Operating transfers in	10,958	-	-	143,186	154,144
Operating transfers out	(143,186)	(2,336)	-	(8,622)	(154,144)
<b>Total Other Financing Sources (Uses)</b>	<b>(51,928)</b>	<b>(2,336)</b>	<b>134,186</b>	<b>295,333</b>	<b>375,255</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>303,577</b>	<b>-</b>	<b>148,514</b>	<b>119,724</b>	<b>571,815</b>
<b>FUND BALANCES:</b>					
July 1, 2014, as previously reported	2,644,784	-	562,101	687,505	3,894,390
Prior Period Adjustments	(48)	-	-	-	(48)
July 1, 2014, as restated	2,644,736	-	562,101	687,505	3,894,342
Increase in Reserve for Inventory	-	-	-	3,199	3,199
<b>June 30, 2015</b>	<b>\$ 2,948,313</b>	<b>\$ -</b>	<b>\$ 710,615</b>	<b>\$ 810,428</b>	<b>\$ 4,469,356</b>

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

**SOUTH TIPPAAH 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, 2015**

Exhibit D-1

**Net Change in Fund Balances - Total Governmental Funds** **\$ 571,815**

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 outlay	\$ 286,250	
	Depreciation expense	<u>(726,204)</u>	(439,954)
2.	In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		(4,467)
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 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:		
	Notes issued	(375,255)	
	Payments of debt principal	229,010	
	Accrued interest payable	<u>2,756</u>	(143,489)
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	5,846	
	Change in inventory reserve	3,199	
	District pension contributions	2,046,924	
	Pension expense	<u>(1,834,224)</u>	<u>221,745</u>
<b>Change in Net Position of Governmental Activities</b>			<b><u>\$ 205,650</u></b>

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, 2015**

Exhibit E

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 782,582
<b>Total Assets</b>	<b><u>\$ 782,582</u></b>
<b>LIABILITIES:</b>	
Accounts payable and accrued liabilities	\$ 744,252
Due to student clubs	38,330
<b>Total Liabilities</b>	<b><u>\$ 782,582</u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The School District reports the following major governmental funds:

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

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

**QSCB Debt Retirement Fund** – This fund is used to account for the investment and payment to escrow accounts held for the principal repayment of the QSCB bonds.

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.

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

Additionally, the School District reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

**FIDUCIARY FUNDS**

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

**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

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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.

**D. Encumbrances**

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

**SOUTH TIPPAAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows 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.

**4. Inventories and Prepaid Items**

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

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

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net 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:

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The District's deferred outflows of resources are related to pensions and are described in Note 7.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred inflows of resources are related to pensions. See Note 7 for further details.

**8. 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.

**9. Long-Term Liabilities and Bond Discounts/Premiums**

In the government-wide financial statements, outstanding debt is reported as liabilities. 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.

**10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**11. 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:

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

**12. 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, depreciation, pension expense, pension liability, and related deferred outflows and inflows. 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.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

**Cash and Cash Equivalents**

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,293,403, and \$782,582, 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, 2015, the District had the following investments in a sinking fund restricted for the payment of its Qualified School Construction Bonds described in Note 11.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Government Securities	AAA	9	\$ 705,527

*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, 2015, the District did not have any investments to which this would apply.

**SOUTH TIPPAAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

*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**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title IV-B 21st Century fund	\$ 43,583
General Fund	Other governmental funds	92,445
Total		<u>\$ 136,028</u>

Inter-fund receivables and payables consist primarily of loans from the General Fund to various special revenue funds to cover cash deficits in pooled bank accounts.

**B. Inter-fund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 143,186
Title IV-B 21st century fund	General Fund	2,336
Other governmental funds	General Fund	8,622
Total		<u>\$ 154,144</u>

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 \$705,527 in the QSCB Bond Retirement Fund described in Note 11.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 5 – Capital Assets**

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

<b>Governmental Activities:</b>	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
<b><u>Non-depreciable capital assets:</u></b>				
Land	\$ 238,944	\$ -	\$ -	\$ 238,944
Total non-depreciable capital assets	<u>238,944</u>	<u>-</u>	<u>-</u>	<u>238,944</u>
<b><u>Depreciable capital assets:</u></b>				
Buildings	20,979,186	-	-	20,979,186
Building improvements	878,552	-	-	878,552
Improvements other than buildings	1,664,083	-	-	1,664,083
Mobile equipment	3,187,933	246,499	43,200	3,391,232
Furniture and equipment	<u>1,356,613</u>	<u>39,751</u>	<u>14,690</u>	<u>1,381,674</u>
Total depreciable capital assets	<u>28,066,367</u>	<u>286,250</u>	<u>57,890</u>	<u>28,294,727</u>
<b><u>Less accumulated depreciation for:</u></b>				
Buildings	5,610,275	390,685	-	6,000,960
Building improvements	450,474	31,167	-	481,641
Improvements other than buildings	336,924	59,366	-	396,290
Mobile equipment	2,284,218	146,533	38,880	2,391,871
Furniture and equipment	<u>1,011,013</u>	<u>98,453</u>	<u>14,543</u>	<u>1,094,923</u>
Total accumulated depreciation	<u>9,692,904</u>	<u>726,204</u>	<u>53,423</u>	<u>10,365,685</u>
Total depreciable capital assets, net	<u>18,373,463</u>	<u>(439,954)</u>	<u>4,467</u>	<u>17,929,042</u>
Governmental activities capital assets, net	<u>\$ 18,612,407</u>	<u>\$ (439,954)</u>	<u>\$ 4,467</u>	<u>\$ 18,167,986</u>

Depreciation expense was charged to the following governmental functions:

<b>Governmental Activities:</b>	<u>Amount</u>
Instruction	\$ 260,487
Support services	443,278
Non-instructional	<u>22,439</u>
Total depreciation expense - Governmental activities	<u>\$ 726,204</u>

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**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, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
A. Three mill notes payable	\$ 290,000	\$ 294,955	\$ 144,000	\$ 440,955	\$ 292,000
B. Shortfall notes payable	129,731	80,300	85,010	125,021	70,959
C. Qualified school construction bonds payable	2,000,000	-	-	2,000,000	-
D. Compensated absences payable	187,340	-	5,846	181,494	-
<b>Total</b>	<b>\$ 2,607,071</b>	<b>\$ 375,255</b>	<b>\$ 234,856</b>	<b>\$ 2,747,470</b>	<b>\$ 362,959</b>

**A. Three Mill Notes Payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Note, Series 2013	2.25%	7/1/13	7/1/15	\$ 290,000	\$ 146,000
2. Limited Tax Note, Series 2015	2.00%	4/1/15	4/1/17	294,955	294,955
<b>Total</b>				<b>\$ 584,955</b>	<b>\$ 440,955</b>

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

1. Three mill notes payable issue of 2013:

Year Ending June 30, 2016	Principal	Interest	Total
	\$ 146,000	\$ 3,285	\$ 149,285

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

2. Three mill notes payable issue of 2015:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 146,000	\$ 5,899	\$ 151,899
2017	148,955	2,979	151,934
<b>Total</b>	<b>\$ 294,955</b>	<b>\$ 8,878</b>	<b>\$ 303,833</b>

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

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 6 – Long-term Liabilities (Continued)**

Total three mill notes payable payments for all issues:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 292,000	\$ 9,184	\$ 301,184
2017	148,955	2,979	151,934
Total	<u>\$ 440,955</u>	<u>\$ 12,163</u>	<u>\$ 453,118</u>

**B. Shortfall Notes Payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. Revenue Shortfall Note, Series 2012	3.00%	8/21/12	8/21/15	\$ 130,293	\$ 44,721
2. Revenue Shortfall Note, Series 2014	2.00%	9/23/14	9/23/17	80,300	80,300
Total				<u>\$ 210,593</u>	<u>\$ 125,021</u>

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

1. Shortfall notes payable issue of 2012:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 44,721	\$ 1,342	\$ 46,063

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

2. Shortfall notes payable issue of 2014:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 26,238	\$ 1,606	\$ 27,844
2017	26,763	1,081	27,844
2018	<u>27,299</u>	<u>545</u>	<u>27,844</u>
Total	<u>\$ 80,300</u>	<u>\$ 3,232</u>	<u>\$ 83,532</u>

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

**SOUTH TIPPAAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 6 – Long-term Liabilities (Continued)**

Total shortfall notes payable payments for all issues:

	Year Ending			
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	70,959	\$ 2,948	\$ 73,907
2017		26,763	1,081	27,844
2018		27,299	545	27,844
Total	\$	<u>125,021</u>	<u>\$ 4,574</u>	<u>\$ 129,595</u>

**C. 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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. Limited Tax Note, Series 2009	0.00%	9/15/09	9/15/23	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>

**D. Compensated absences payable**

As more fully explained in Note 1(E)(8), 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 – Defined Benefit Pension Plan**

**General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended), and may be amended only by the 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.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance

**SOUTH TIPPAAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 7 – Defined Benefit Pension Plan (Continued)**

payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* 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, 2015 was 15.75% 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 ended June 30, 2015, 2014 and 2013 were \$2,046,924, \$1,957,608, and \$1,733,364, respectively, which equaled the required contributions for each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the School District reported a liability of \$24,690,007 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net position liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the School District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the School District's proportion was 0.203408 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,834,224. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 385,157	\$ 3,578,998
Changes in proportion and differences between District contributions and proportionate share of contributions	450,544	-
District contributions subsequent to the measurement date	<u>2,046,924</u>	<u>-</u>
Total	<u>\$ 2,882,625</u>	<u>\$ 3,578,998</u>

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 7 – Defined Benefit Pension Plan (Continued)**

\$2,046,924 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (594,138)
2017	(594,138)
2018	(660,272)
2019	<u>(894,749)</u>
	<u>\$ (2,743,297)</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**SOUTH TIPPAAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 7 – Defined Benefit Pension Plan (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.2 %
International Equity	19	5 %
Emerging Markets Equity	8	5.45 %
Fixed Income	20	0.25 %
Real Assets	10	4 %
Private Equity	8	6.15 %
Cash	1	(0.50) %
<b>Total</b>	<b>100 %</b>	

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate (8.00%)	1% Increase <u>(9.00%)</u>
District's proportionate share of the net pension liability	\$ 33,659,842	\$ 24,690,007	\$ 17,207,831

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 8 – Prior Period Adjustments**

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ 27,556,688
Deferred outflows - contributions made during fiscal year 2014	<u>(1,957,608)</u>
Total prior period adjustment related to GASB 68 and 71	25,599,080
2. Receivable adjustment	<u>48</u>
Total	<u><u>\$ 25,599,128</u></u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund - receivable adjustment	<u><u>\$ 48</u></u>
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**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.

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

**Note 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 77 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.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 10 – Risk Management (Continued)**

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.

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, 2015, was \$705,527. 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.

Year Ending <u>June 30,</u>	<u>Amount</u>
2016	\$ 122,000
2017	122,000
2018	122,000
2019	122,000
2020	122,000
2021-2024	<u>488,000</u>
Total	<u>\$ 1,098,000</u>

**SOUTH TIPPAAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 11 – Qualified School Construction Bonds (Continued)**

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, 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. For fiscal year 2015, the EEF revenue was \$84,536 and \$72,334 of these funds were applied to the required sinking fund payment. The remainder of the sinking fund payment of \$61,852 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.

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 center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and was approved by the Mississippi Department of Education. The center includes the North Tippah School District and the South Tippah School District. The name of the center has been changed to the Tippah Career and Technology Center.

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

The South Tippah School District has been designated as the fiscal agent for the Tippah Career and Technology Center, and the operations of the consortium 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 Tippah Career and Technology Center.

**SOUTH TIPPAH SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Note 13 – Vocational School Consortium (Continued)**

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2015

<b>Revenues</b>	
Local sources:	
Taxes	\$ 258,267
Interest	763
Total local sources	<u>259,030</u>
State sources	<u>458,905</u>
Total Revenues	<u>717,935</u>
<b>Expenditures</b>	
Salaries	468,927
Employee benefits	157,800
Purchased property services	42,748
Other purchased services	39,684
Supplies	17,981
Furniture and equipment	1,527
Other objects	<u>280</u>
Total Expenditures	<u>728,947</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,012)</u>
<b>Fund Balance:</b>	
July 1, 2014	<u>79,592</u>
June 30, 2015	<u>\$ 68,580</u>

**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 14, 2015, the date the financial statements were available to be issued, and determined the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On August 25, 2015, the South Tippah School District issued shortfall notes in principal amount of \$50,000, requiring interest at 2.00%.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH TIPPAAH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES:</b>					
Local sources	\$ 4,080,348	\$ 4,290,518	\$ 4,290,518	\$ 210,170	\$ -
State sources	14,653,707	14,757,425	14,757,425	103,718	-
Federal sources	128,000	160,395	160,395	32,395	-
<b>Total Revenues</b>	<b>18,862,055</b>	<b>19,208,338</b>	<b>19,208,338</b>	<b>346,283</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Instruction	11,945,898	11,635,477	11,635,477	310,421	-
Support services	6,702,657	6,877,580	6,878,694	(174,923)	(1,114)
Non-instructional services	213,500	338,662	338,662	(125,162)	-
<b>Total Expenditures</b>	<b>18,862,055</b>	<b>18,851,719</b>	<b>18,852,833</b>	<b>10,336</b>	<b>(1,114)</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>-</b>	<b>356,619</b>	<b>355,505</b>	<b>356,619</b>	<b>(1,114)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Bonds and notes issued	-	80,300	80,300	80,300	-
Operating transfers in	248,084	10,958	10,958	(237,126)	-
Operating transfers out	(248,084)	(143,186)	(143,186)	104,898	-
<b>Total Other Financing Uses</b>	<b>-</b>	<b>(51,928)</b>	<b>(51,928)</b>	<b>(51,928)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>304,691</b>	<b>303,577</b>	<b>304,691</b>	<b>(1,114)</b>
<b>FUND BALANCE:</b>					
July 1, 2014, as previously reported	2,644,784	2,644,784	2,644,784	-	-
Prior period adjustments	-	(48)	(48)	(48)	-
July 1, 2014, as restated	2,644,784	2,644,736	2,644,736	(48)	-
June 30, 2014	<b>\$ 2,644,784</b>	<b>\$ 2,949,427</b>	<b>\$ 2,948,313</b>	<b>\$ 304,643</b>	<b>\$ (1,114)</b>

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, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive	(Negative)
	Original	Final		Original to Final	Final to Actual
<b>REVENUES:</b>					
Federal sources	\$ 348,122	\$ 331,315	\$ 331,315	\$ (16,807)	\$ -
<b>Total Revenues</b>	<b>348,122</b>	<b>331,315</b>	<b>331,315</b>	<b>(16,807)</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Instruction	252,567	234,443	234,443	18,124	-
Support services	93,043	94,536	94,536	(1,493)	-
<b>Total Expenditures</b>	<b>345,610</b>	<b>328,979</b>	<b>328,979</b>	<b>16,631</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues     over (under) Expenditures</b>	<b>2,512</b>	<b>2,336</b>	<b>2,336</b>	<b>(176)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers out	(2,512)	(2,336)	(2,336)	176	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,512)</b>	<b>(2,336)</b>	<b>(2,336)</b>	<b>176</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE:</b>					
July 1, 2014	-	-	-	-	-
<b>June 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

**SOUTH TIPPAAH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - QSCB DEBT RETIREMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES:</b>					
Local sources	\$ -	\$ 15,723	\$ 15,723	\$ 15,723	\$ -
<b>Total Revenues</b>	<b>-</b>	<b>15,723</b>	<b>15,723</b>	<b>15,723</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Debt service:					
Other	-	1,395	1,395	(1,395)	-
<b>Total Expenditures</b>	<b>-</b>	<b>1,395</b>	<b>1,395</b>	<b>(1,395)</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>-</b>	<b>14,328</b>	<b>14,328</b>	<b>14,328</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Payment held by QSCB escrow agent	-	134,186	134,186	134,186	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>134,186</b>	<b>134,186</b>	<b>134,186</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>148,514</b>	<b>148,514</b>	<b>148,514</b>	<b>-</b>
<b>FUND BALANCE:</b>					
July 1, 2014	562,101	562,101	562,101	-	-
June 30, 2015	<b>\$ 562,101</b>	<b>\$ 710,615</b>	<b>\$ 710,615</b>	<b>\$ 148,514</b>	<b>\$ -</b>

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

**SOUTH TIPPAH SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY - PERS  
FOR THE YEAR ENDED JUNE 30, 2015**

District's proportion of the net pension liability	0.203408%
District's proportionate share of the net pension liability	\$ 24,690,007
District's covered-employee payroll	\$ 12,429,257
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.644269%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

**SOUTH TIPPAH SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS  
FOR THE YEAR ENDED JUNE 30, 2015**

Contractually required contribution	\$2,046,924
Contributions in relation to the contractually required contribution	\$2,046,924
Contribution deficiency (excess)	\$0
District's covered-employee payroll	\$12,996,343
Contributions as a percentage of covered- employee payroll	15.75%

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

**SOUTH TIPPAAH SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 – BUDGETARY COMPARISON SCHEDULES**

**1. Basis of Presentation**

The Budgetary Comparison Schedules present the original legally adopted budgets, the final legally adopted budgets, 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.

**NOTE 2 – PENSION SCHEDULES**

**1. Measurement Date**

The amounts presented for fiscal year 2015 were determined as of the measurement date of June 30, 2014.

**2. 10-Year Schedules**

These schedules are presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ended June 30, 2015, and until a 10-year trend is compiled, the District has only presented information for the year in which information is available.

**SUPPLEMENTARY INFORMATION**

**SOUTH TIPPAH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 330,459
National school lunch program	10.555	995,415
Total Child Nutrition Cluster		<u>1,325,874</u>
Total passed-through Mississippi Department of Education		<u>1,325,874</u>
Total U.S. Department of Agriculture		<u>1,325,874</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the Universal Service Fund	32.XXX	65,179
Total Federal Communications Commission		<u>65,179</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	593,826
Career and technical education - basic grants to states	84.048	43,230
Twenty-first century community learning centers	84.287	331,315
Rural education	84.358	41,038
English language acquisition grants	84.365	33,408
Improving teacher quality - state grants	84.367	139,631
Subtotal		<u>1,182,448</u>
Special education cluster:		
Special education - grants to states	84.027	592,350
Special education - preschool grants	84.173	38,503
Total special education cluster		<u>630,853</u>
Total passed-through Mississippi Department of Education		<u>1,813,301</u>
Total U.S. Department of Education		<u>1,813,301</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	37,952
Total U.S. Department of Health and Human Services		<u>37,952</u>
Total for All Federal Awards		<u>\$ 3,242,306</u>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and 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 TIPPAAH SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE,  
 AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 18,172,738	\$ 14,300,987	\$ 717,745	\$ 1,188,672	\$ 1,965,334
Other	<u>5,707,183</u>	<u>1,645,117</u>	<u>268,702</u>	<u>80,468</u>	<u>3,712,896</u>
<b>Total</b>	<u><u>\$ 23,879,921</u></u>	<u><u>\$ 15,946,104</u></u>	<u><u>\$ 986,447</u></u>	<u><u>\$ 1,269,140</u></u>	<u><u>\$ 5,678,230</u></u>
<b>Total number of students*</b>	<u><u>2,586</u></u>				
<b>Cost per student</b>	<u><u>\$ 9,234</u></u>	<u><u>\$ 6,166</u></u>	<u><u>\$ 381</u></u>	<u><u>\$ 491</u></u>	<u><u>\$ 2,196</u></u>

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

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

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

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

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

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

**OTHER INFORMATION**

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

	<u>2015</u>	<u>2014*</u>	<u>2013*</u>	<u>2012*</u>
<b>REVENUES:</b>				
Local sources	\$ 4,290,518	\$ 3,829,211	\$ 3,603,905	\$ 3,626,959
State sources	14,757,425	13,945,068	13,736,732	13,131,479
Federal sources	160,395	131,271	134,936	119,452
<b>Total Revenues</b>	<u><b>19,208,338</b></u>	<u><b>17,905,550</b></u>	<u><b>17,475,573</b></u>	<u><b>16,877,890</b></u>
<b>EXPENDITURES:</b>				
Instruction	11,635,477	11,456,183	10,885,199	10,490,249
Support services	6,878,694	6,797,430	6,284,087	5,585,206
Non-instructional services	338,662	275,365	276,412	281,921
Facilities acquisition and construction	-	345,955	717,389	185,801
<b>Total Expenditures</b>	<u><b>18,852,833</b></u>	<u><b>18,874,933</b></u>	<u><b>18,163,087</b></u>	<u><b>16,543,177</b></u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u><b>355,505</b></u>	<u><b>(969,383)</b></u>	<u><b>(687,514)</b></u>	<u><b>334,713</b></u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bonds and notes issued	80,300	290,000	130,293	103,919
Insurance recovery	-	-	13,827	436
Sale of transportation equipment	-	3,349	985	-
Sale of other property	-	-	200	-
Operating transfers in	10,958	110,365	66,281	9,402
Operating transfers out	(143,186)	(110,099)	(46,611)	(162,051)
<b>Total Other Financing Sources (Uses)</b>	<u><b>(51,928)</b></u>	<u><b>293,615</b></u>	<u><b>164,975</b></u>	<u><b>(48,294)</b></u>
<b>NET CHANGE IN FUND BALANCES</b>	<u><b>303,577</b></u>	<u><b>(675,768)</b></u>	<u><b>(522,539)</b></u>	<u><b>286,419</b></u>
<b>FUND BALANCES:</b>				
<b>Beginning of Period, as previously reported</b>	<u><b>2,644,784</b></u>	<u><b>3,320,552</b></u>	<u><b>3,843,091</b></u>	<u><b>3,556,672</b></u>
<b>Prior Period Adjustments</b>	<u><b>(48)</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
<b>Beginning of Period, as restated</b>	<u><b>2,644,736</b></u>	<u><b>3,320,552</b></u>	<u><b>3,843,091</b></u>	<u><b>3,556,672</b></u>
<b>End of Period</b>	<u><u><b>\$ 2,948,313</b></u></u>	<u><u><b>\$ 2,644,784</b></u></u>	<u><u><b>\$ 3,320,552</b></u></u>	<u><u><b>\$ 3,843,091</b></u></u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

	<u>2015</u>	<u>2014*</u>	<u>2013*</u>	<u>2012*</u>
<b>REVENUES:</b>				
Local sources	\$ 5,100,316	\$ 4,645,829	\$ 4,383,113	\$ 4,423,272
Intermediate sources	-	18,000	19,405	-
State sources	15,671,271	14,759,284	14,532,017	13,964,084
Federal sources	3,304,894	3,320,845	3,351,632	3,829,024
<b>Total Revenues</b>	<u>24,076,481</u>	<u>22,743,958</u>	<u>22,286,167</u>	<u>22,216,380</u>
<b>EXPENDITURES:</b>				
Instruction	13,841,693	13,665,448	13,119,330	13,072,256
Support services	8,076,931	7,774,652	7,191,828	6,863,744
Non-instructional services	1,717,555	1,753,815	1,710,090	1,501,804
Facilities acquisition and construction	-	345,955	717,389	1,122,782
Debt service:				
Principal	229,010	126,909	139,499	170,770
Interest	10,417	7,699	6,644	9,470
Other	4,315	1,030	668	500
<b>Total Expenditures</b>	<u>23,879,921</u>	<u>23,675,508</u>	<u>22,885,448</u>	<u>22,741,326</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>196,560</u>	<u>(931,550)</u>	<u>(599,281)</u>	<u>(524,946)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bonds and notes issued	375,255	290,000	130,293	121,176
Insurance recovery	-	-	13,827	436
Payment held by QSCB escrow agent	134,186	135,977	-	-
Payment to QSCB escrow agent	(134,186)	(135,977)	-	-
Sale of transportation equipment	-	3,349	985	-
Sale of other property	-	345	360	100
Operating transfers in	154,144	220,464	112,892	174,847
Other financing uses	(154,144)	(220,464)	(112,892)	(174,847)
<b>Total Other Financing Sources</b>	<u>375,255</u>	<u>293,694</u>	<u>145,465</u>	<u>121,712</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>571,815</u>	<u>(637,856)</u>	<u>(453,816)</u>	<u>(403,234)</u>
<b>FUND BALANCES:</b>				
Beginning of Period, as previously reported	3,894,390	4,535,745	4,996,502	5,401,988
Prior Period Adjustments	(48)	-	-	-
Beginning of Period, as restated	<u>3,894,342</u>	<u>4,535,745</u>	<u>4,996,502</u>	<u>5,401,988</u>
Increase (Decrease) in Reserve for Inventory	3,199	(3,499)	(6,941)	(2,252)
End of Period	<u>\$ 4,469,356</u>	<u>\$ 3,894,390</u>	<u>\$ 4,535,745</u>	<u>\$ 4,996,502</u>

\*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 THE 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 United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Tippah School District, as of and for the year ended June 30, 2015, 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 14, 2015.

***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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***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*.

***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 South Tippah 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 South Tippah School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eaton, Bahl + Smith*

Ripley, Mississippi  
December 14, 2015



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Business Advisors and CPAs  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY 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, 2015. 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, 2015.

*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 14, 2015

**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, 2015, which collectively comprise South Tippah School District's basic financial statements and have issued our report thereon dated December 14, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported 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, federal awarding agencies, the Office of the State Auditor, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Eaton, Babb + Smith*

Ripley, Mississippi  
December 14, 2015

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**SOUTH TIPPAH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

- |  |                      |
|--|----------------------|
| 1. Type of auditors' report issued:                          | <u>Unmodified</u>    |
| 2. Internal control over financial reporting:                |                      |
| a. Material weakness identified?                             | <u>No</u>            |
| b. Significant deficiency identified?                        | <u>None reported</u> |
| 3. Noncompliance material to the financial statements noted? | <u>No</u>            |

**Federal Awards:**

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

7. Federal programs identified as major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies
	Special Education Cluster:
84.027	Special education – grants to states
84.173	Special education – preschool grants

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

**Section 2: Financial Statement Findings**

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

**Section 3: Federal Award Findings and Questioned Costs**

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