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SOUTH TIPPAH SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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

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**SOUTH TIPPAAH SCHOOL DISTRICT
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**SOUTH TIPPAAH SCHOOL DISTRICT
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M. M. WINKLER & ASSOCIATES

Certified Public Accountants

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

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

Superintendent and School Board
South Tippah School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Tippah School District as of and for the year ended June 30, 2010, which collectively comprise the South Tippah School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Tippah School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Tippah School District, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010 on our consideration of the South Tippah School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

- Continued -

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 is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and , accordingly, we express no opinion on it.

M. M. Winkler & Associates

December 10, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

The discussion and analysis of the South Tippah School District's financial performance provides an overall narrative review of the District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2010 increased \$62,895, which represents a 0.34% increase from fiscal year 2009. Total net assets for 2009 decreased \$128,382, which represents a 0.70% decrease from fiscal year 2008.
- General revenues amounted to \$16,339,421 and \$16,816,880, or 75.60% and 79.95% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,273,674 or 24.40% of total revenues for 2010 and \$4,216,642 or 20.05% of total revenues for 2009.
- The District had \$21,550,200 and \$21,161,904 in expenses for fiscal years 2010 and 2009; only \$5,273,674 for 2010 and \$4,216,642 for 2009 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$16,339,421 for 2010 and \$16,816,880 for 2009 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,383,629 in revenues and \$15,301,360 in expenditures for 2010 and \$16,479,160 in revenues and \$21,906,890 in expenditures for 2009. The General Fund's fund balance increased \$376,654 from 2009 to 2010 and decreased \$5,349,496 from 2008 to 2009.
- Capital assets, net of accumulated depreciation, decreased by \$208,960 for 2010 and increased by \$5,094,256 for 2009.
- Long-term debt increased by \$2,253,388 for 2010 and decreased by \$37,324 for 2009. This increase was due primarily to the issuance of qualified school construction bonds in the amount of \$2,000,000 and shortfall notes payable in the amount of \$421,486. The liability for compensated absences increased \$10,723 for 2010 and increased by \$20,115 for 2009.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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 services 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. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

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

**SOUTH TIPPAAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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

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

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

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 fund.

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.

Also, included in the other supplemental information section are 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. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$18,321,990 as of June 30, 2010.

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, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Table 1 presents a summary of the District's net assets at June 30, 2010 and June 30, 2009.

**Table 1
Condensed Statement of Net Assets**

	<u>2010</u>	<u>2009</u>	<u>Percentage Change</u>
Current assets	\$ 4,457,035	\$ 2,180,537	104.40%
Capital assets, net	17,003,249	17,212,209	-1.21%
Total Assets	<u>21,460,284</u>	<u>19,392,746</u>	10.66%
Current liabilities	351,737	600,482	-41.42%
Long-term debt outstanding	2,786,557	533,169	422.64%
Total Liabilities	<u>3,138,294</u>	<u>1,133,651</u>	176.83%
Net assets:			
Invested in capital assets, net of related debt	15,003,249	17,144,432	-12.49%
Restricted	2,727,953	683,192	299.30%
Unrestricted	590,788	431,471	36.92%
Total net assets	<u>\$ 18,321,990</u>	<u>\$ 18,259,095</u>	0.34%

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

- Decrease in net capital assets in the amount of \$208,960.
- The issuance of debt in the amount of \$2,421,486.
- The principal retirement of \$178,821 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$21,613,095 and \$21,033,522, respectively. (See Table 2.) State revenues accounted for most of the District's revenue contributing about 57 cents of every dollar raised. (See Figure 1.) Another 20% came from operating grants and contributions, 13% from property taxes and the remainder from fees charged for services, interest earnings, federal revenue and other sources.

The total cost of all programs and services was \$21,550,200 for 2010 and \$21,161,904 for 2009. The District's expenses are predominantly related to educating students 62%. (See Figure 2.)

**SOUTH TIPPAAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

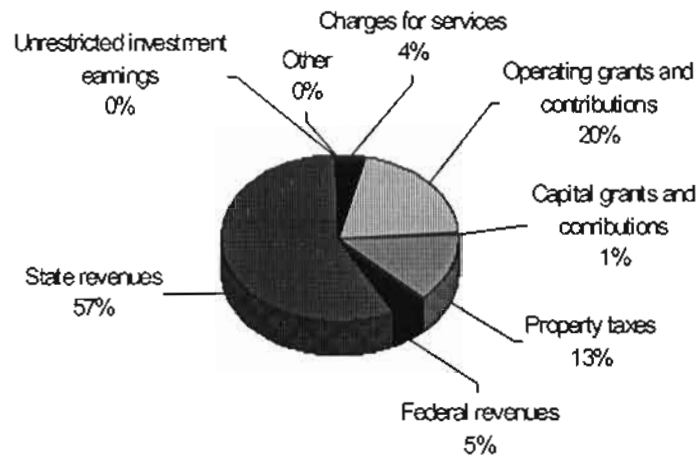
**Table 2
Changes in Net Assets**

	<u>2010</u>	<u>2009</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 757,471	\$ 762,829	-0.70%
Operating grants and contributions	4,378,852	3,336,879	31.23%
Capital grants and contributions	137,351	116,934	17.46%
General revenues:			
Property taxes	2,830,103	2,481,776	14.04%
Grants and contributions not restricted:			
State	12,263,735	13,629,551	-10.02%
Federal	1,109,962	183,137	506.08%
Unrestricted investment earnings	72,997	161,508	-54.80%
Other	62,624	360,908	-82.65%
Total revenues	<u>21,613,095</u>	<u>21,033,522</u>	2.76%
Expenses:			
Instruction	13,392,229	13,185,901	1.56%
Support services	6,688,228	6,503,719	2.84%
Non-instructional	1,455,593	1,462,683	-0.48%
Interest on long-term liabilities	14,150	9,601	47.38%
Total expenses	<u>21,550,200</u>	<u>21,161,904</u>	1.83%
Increase (Decrease) in net assets	<u>62,895</u>	<u>(128,382)</u>	148.99%
Net Assets, July 1	<u>18,259,095</u>	<u>18,387,477</u>	-0.70%
Net Assets, June 30	<u>\$ 18,321,990</u>	<u>\$ 18,259,095</u>	0.34%

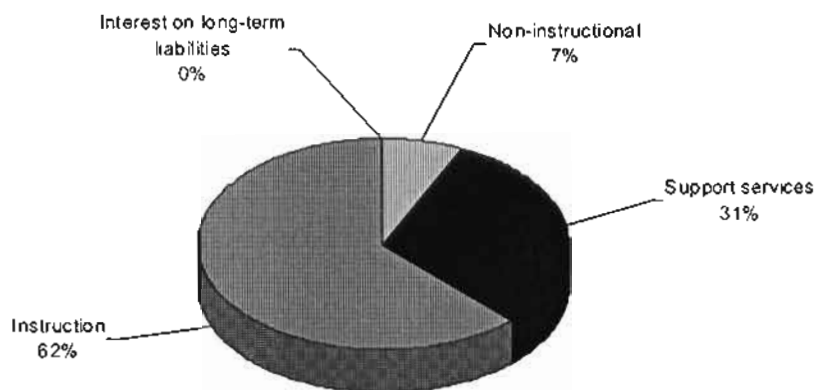
**SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

**Figure 1
Sources of Revenues for Fiscal Year 2010**



**Figure 2
Expenses for Fiscal Year 2010**



**SOUTH TIPPAAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental activities. Table 3 presents the cost of four major District functional activities: instruction, support services, non-instructional and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change	Net(Expense) Revenue		Percentage Change
	2010	2009		2010	2009	
Instruction	\$ 13,392,229	\$ 13,185,901	1.56%	\$ (10,608,161)	\$ (10,923,237)	-2.88%
Support services	6,688,228	6,503,719	2.84%	(5,533,562)	(5,807,580)	-4.72%
Non-instructional	1,455,593	1,462,683	-0.48%	(120,653)	(204,844)	-41.10%
Interest on long-term liabilities	14,150	9,601	47.38%	(14,150)	(9,601)	47.38%
Total expenses	\$ 21,550,200	\$ 21,161,904	1.83%	\$ (16,276,526)	\$ (16,945,262)	-3.95%

- Net cost of governmental activities (\$16,276,526 and \$16,945,262), was financed by general revenue, which is made up of primarily property taxes (\$2,830,103 for 2010 and \$2,481,776 for 2009) and state revenue (\$12,263,735 for 2010 and \$13,629,551 for 2009).
- Interest earnings amounted to \$72,997 for 2010 and \$161,508 for 2009.

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, unreserved 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 \$4,098,424, an increase of \$2,510,014, which includes an increase in inventory of \$4,082. \$1,914,514 or 46.71% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$2,183,910 or 53.29% is reserved or designated to indicate that it is not available for spending because it has already been committed.

**SOUTH TIPPAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS - Continued

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 \$376,654. The fund balance of Other Governmental Funds showed an increase of \$240,895, which includes an increase in reserve for inventory of \$4,082. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title 1 - A Basic	no increase or decrease
IDEA - Part B94-142	no increase or decrease
Title IV B 21st Century	no increase or decrease
Qualified School Construction	\$ 1,892,465

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.

- Budgeted amounts for General Fund revenue from state sources overestimated MAEP revenue due to the state not fully funding this program.
- Actual expenditures were below budget, primarily because the District budgets from fund balance for unplanned expenditures (contingency). The District didn't spend the entire contingency amount.
- Budgeted amounts for General Fund other financing sources did not consider proceeds of loans from shortfall notes payable.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the District's total capital assets were \$24,169,622, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. (See Table 4) This amount represents an increase of \$426,623 from 2009. Total accumulated depreciation as of June 30, 2010 was \$7,166,373 and total depreciation expense for the year was \$635,583, resulting in total net capital assets of \$17,003,249.

**SOUTH TIPPAAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

**Table 4
Capital Assets at June 30
(Net of Accumulated Depreciation)**

	2010	2009	Percentage Change
Land	\$ 170,967	\$ 170,967	-
Construction in progress	109,074	5,421,584	-97.99%
Buildings	14,797,658	9,639,730	53.51%
Building Improvements	494,000	522,816	-5.51%
Improvements other than buildings	326,309	346,811	-5.91%
Mobile Equipment	755,253	849,350	-11.08%
Furniture and equipment	349,988	260,951	34.12%
Totals	<u>\$ 17,003,249</u>	<u>\$ 17,212,209</u>	-1.21%

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

Debt Administration. At June 30, 2010, the District had \$2,786,557 in outstanding long-term debt, of which \$251,154 is due within one year. The liability for compensated absences increased \$10,723 from the prior year.

**Table 5
Outstanding Long-Term Debt at June 30**

	2010	2009	Percentage Change
Three-mill notes payable	\$ -	\$ 67,777	-100.00%
Shortfall notes payable	566,594	256,152	121.19%
Qualified school construction bonds payable	2,000,000	-	N/A
Compensated absences payable	219,963	209,240	5.12%
Totals	<u>\$ 2,786,557</u>	<u>\$ 533,169</u>	422.64%

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

**SOUTH TIPPAAH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls 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.

Latest enrollment figures indicate that student enrollment in the District will remain unchanged over the next fiscal year. The budget for the next fiscal year has taken this into account in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

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**SOUTH TIPPAH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010**

Exhibit A

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 1,276,710
Due from other governments	954,868
Accrued interest receivable	6,706
Inventories	27,953
Deferred debt issue cost	19,161
Restricted assets	2,171,637
Capital assets, non-depreciable:	
Land	170,967
Construction in progress	109,074
Capital assets, net of accumulated depreciation:	
Buildings	14,797,658
Building improvements	494,000
Improvements other than buildings	326,309
Mobile equipment	755,253
Furniture and equipment	349,988
Total Assets	\$ 21,460,284
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 339,450
Interest payable on long-term liabilities	12,287
Long-term liabilities, due within one year:	
Non-capital related liabilities	251,154
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,000,000
Non-capital related liabilities	535,403
Total Liabilities	\$ 3,138,294
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 15,003,249
Restricted net assets:	
Expendable:	
School-based activities	584,283
Capital improvements	1,892,465
Debt Service	202,263
Unemployment benefits	48,942
Unrestricted	590,788
Total Net Assets	\$ 18,321,990

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

**SOUTH TIPPAH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit B

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
Instruction	\$ 13,392,229	\$ 476,652	\$ 2,287,434	\$ 19,982	\$ (10,608,161)
Support services	6,688,228	-0-	1,037,297	117,369	(5,533,562)
Non-instructional services	1,455,593	280,819	1,054,121	-0-	(120,653)
Interest on long-term liabilities	14,150	-0-	-0-	-0-	(14,150)
Total Governmental Activities	<u>\$ 21,550,200</u>	<u>\$ 757,471</u>	<u>\$ 4,378,852</u>	<u>\$ 137,351</u>	<u>\$ (16,276,526)</u>
General Revenues:					
Taxes:					
General purpose levies					\$ 2,552,503
Debt purpose levies					277,600
Unrestricted grants and contributions:					
State					12,263,735
Federal					1,109,962
Unrestricted investment earnings					72,997
Other					62,624
Total General Revenues					<u>\$ 16,339,421</u>
Change in Net Assets					\$ 62,895
Net Assets - Beginning					<u>18,259,095</u>
Net Assets - Ending					<u>\$ 18,321,990</u>

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

SOUTH TIPPAH SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Title I - A Basic Fund	IDEA - Part B94-142 Fund	Title IV B 21st Century Fund	Qualified School Construction Fund	Other Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ 688,079	\$ -0-	\$ -0-	\$ -0-	\$ 1,966,755	\$ 793,513	\$ 3,448,347
Due from other governments	339,462	161,225	112,882	156,205	-0-	185,094	954,868
Accrued interest receivable	3,198	-0-	-0-	-0-	2,701	807	6,706
Due from other funds	514,202	-0-	-0-	-0-	-0-	15,435	529,637
Inventories	-0-	-0-	-0-	-0-	-0-	27,953	27,953
Total Assets	\$ 1,544,941	\$ 161,225	\$ 112,882	\$ 156,205	\$ 1,969,456	\$ 1,022,802	\$ 4,967,511
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 186,757	\$ -0-	\$ 1,442	\$ 46,343	\$ 56,356	\$ 48,552	\$ 339,450
Due to other funds	-0-	161,225	111,440	109,862	20,635	126,475	529,637
Unearned revenue	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Liabilities	\$ 186,757	\$ 161,225	\$ 112,882	\$ 156,205	\$ 76,991	\$ 175,027	\$ 869,087
Fund Balances:							
Reserved for:							
Inventory	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 27,953	\$ 27,953
Capital projects	-0-	-0-	-0-	-0-	1,892,465	-0-	1,892,465
Debt Service Funds	-0-	-0-	-0-	-0-	-0-	214,550	214,550
Unemployment benefits	-0-	-0-	-0-	-0-	-0-	48,942	48,942
Unreserved:							
Undesignated, reported in:							
General Fund	1,358,184	-0-	-0-	-0-	-0-	-0-	1,358,184
Special Revenue Funds	-0-	-0-	-0-	-0-	-0-	556,330	556,330
Total Fund Balances	\$ 1,358,184	\$ -0-	\$ -0-	\$ -0-	\$ 1,892,465	\$ 847,775	\$ 4,098,424
Total Liabilities and Fund Balances	\$ 1,544,941	\$ 161,225	\$ 112,882	\$ 156,205	\$ 1,969,456	\$ 1,022,802	\$ 4,967,511

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

**SOUTH TIPPAAH SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Exhibit C-1

Total Fund Balance - Governmental Funds	\$ 4,098,424
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

- | | |
|--|---------------|
| 1. Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$7,166,373. | 17,003,249 |
| 2. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (2,786,557) |
| 3. Governmental funds recognize interest on long-term liabilities when it becomes due; however, the Statement of Net Assets recognizes interest as it accrues. | (12,287) |
| 4. Deferred charges for the amortization of bond issuance cost. | <u>19,161</u> |

Total Net Assets - Governmental Activities	<u>\$ 18,321,990</u>
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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, 2010

	Major Funds						Total Governmental Funds
	General Fund	Title I - A Basic Fund	IDEA - Part B94-142 Fund	Title IV B 21st Century Fund	Qualified School Construction Fund	Other Governmental Funds	
REVENUES:							
Local sources	\$ 3,085,785	\$ -0-	\$ -0-	\$ -0-	\$ 22,175	\$ 796,393	\$ 3,904,353
State sources	12,149,644	-0-	-0-	-0-	-0-	898,364	13,048,008
Federal sources	148,200	781,317	589,823	401,832	-0-	2,736,049	4,657,221
Total Revenues	\$ 15,383,629	\$ 781,317	\$ 589,823	\$ 401,832	\$ 22,175	\$ 4,430,806	\$ 21,609,582
EXPENDITURES:							
Instruction	\$ 9,580,443	\$ 631,980	\$ 374,463	\$ 324,319	\$ -0-	\$ 2,258,923	\$ 13,170,128
Support services	5,357,179	143,649	211,212	74,984	-0-	709,821	6,496,845
Non-instructional services	278,831	525	-0-	-0-	-0-	1,178,663	1,458,019
Facilities acquisition and construction	84,907	-0-	-0-	-0-	109,075	-0-	193,982
Debt Service							
Principal	-0-	-0-	-0-	-0-	-0-	178,821	178,821
Interest	-0-	-0-	-0-	-0-	-0-	10,218	10,218
Other	-0-	-0-	-0-	-0-	20,635	-0-	20,635
Total Expenditures	\$ 15,301,360	\$ 776,154	\$ 585,675	\$ 399,303	\$ 129,710	\$ 4,336,446	\$ 21,528,648
Excess (Deficiency) of Revenues over Expenditures	\$ 82,269	\$ 5,163	\$ 4,148	\$ 2,529	\$ (107,535)	\$ 94,360	\$ 80,934
OTHER FINANCING SOURCES (USES):							
Proceeds of QSC bonds	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2,000,000	\$ -0-	\$ 2,000,000
Proceeds of loans	421,486	-0-	-0-	-0-	-0-	-0-	421,486
Insurance loss recoveries	1,387	-0-	-0-	-0-	-0-	-0-	1,387
Sale of other property	314	-0-	-0-	-0-	-0-	1,811	2,125
Operating transfers in	13,902	-0-	-0-	-0-	-0-	145,655	159,557
Operating transfers out	(142,704)	(5,163)	(4,148)	(2,529)	-0-	(5,013)	(159,557)
Total Other Financing Sources (Uses)	\$ 294,385	\$ (5,163)	\$ (4,148)	\$ (2,529)	\$ 2,000,000	\$ 142,453	\$ 2,424,998
NET CHANGE IN FUND BALANCES	\$ 376,654	\$ -0-	\$ -0-	\$ -0-	\$ 1,892,465	\$ 236,813	\$ 2,505,932
FUND BALANCES:							
July 1, 2009	981,530	-0-	-0-	-0-	-0-	606,880	1,588,410
Increase in Reserve for Inventory	-0-	-0-	-0-	-0-	-0-	4,082	4,082
June 30, 2010	\$ 1,358,184	\$ -0-	\$ -0-	\$ -0-	\$ 1,892,465	\$ 847,775	\$ 4,098,424

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

**SOUTH TIPPAAH SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit D-1

Net Change in Fund Balances - Governmental Funds	\$ 2,505,932
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the lives of the assets. Capital assets purchased amounted to \$426,623, and the depreciation expense amounted to \$635,583.	(208,960)
2. The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	178,821
3. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(2,421,486)
4. Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(3,932)
5. Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	19,161
6. Increase (decrease) in inventory is reported as an adjustment to fund balance in the governmental funds, but non-instructional expenditures are decreased (increased) in the Statement of Activities.	4,082
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	(10,723)
Change in Net Assets of Governmental Activities	\$ 62,895

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

**SOUTH TIPPAAH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2010**

Exhibit E

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 1,199,336
Total Assets	<u><u>\$ 1,199,336</u></u>
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 1,101,157
Due to student clubs	<u>98,179</u>
Total Liabilities	<u><u>\$ 1,199,336</u></u>

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

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SOUTH TIPPAAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(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. Basis of Presentation

Government-wide Financial Statements:

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

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

SOUTH TIPPAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies – Continued

B. Basis of Presentation – Continued

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

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

IDEA – Part B94-142 Fund - This fund accounts for a federal grant which is used to provide for requirements of special needs students.

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

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

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

SOUTH TIPPAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies – Continued

B. Basis of Presentation – Continued

The District fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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 and Basis of Accounting

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

SOUTH TIPPAAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting - Continued

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

SOUTH TIPPAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies – Continued

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

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

F. Assets, liabilities, and net assets or equity

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."

SOUTH TIPPAAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies – Continued

F. Assets, liabilities, and net assets or equity – Continued

2. Receivables and payables – Continued

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.

5. Deferred Bond Issue Cost

Bond issuance cost incurred on bond issues have been deferred and are being amortized over the life of the bonds using the straight line method on the Statement of Net Assets. Total amortization for the year ended June 30, 2010, was \$1,474.

6. Restricted Assets

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

7. Capital Assets

Capital assets include land, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

SOUTH TIPPAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies – Continued

F. Assets, liabilities, and net assets or equity – Continued

7. Capital Assets - Continued

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

SOUTH TIPPAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies – Continued

F. Assets, liabilities, and net assets or equity – Continued

9. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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

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

10. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions of fund reserves used by the district:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which is legally restricted and not available for spending for any purpose other than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which is legally restricted and not available for spending for any purpose other than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Unreserved, undesignated -An account that represents the portion of fund balance that is expendable available financial resources.

SOUTH TIPPAAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(2) Cash and Cash Equivalents

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,448,347 and \$1,199,336, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$3,448,347. The bank balance was \$4,693,243.

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.

(3) Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I - A Basic	\$ 161,225
General Fund	IDEA - Part B94-142	111,440
General Fund	Title IV B 21st Century	109,862
General Fund	Qualified School Construction	20,635
General Fund	Other governmental funds	111,040
Other governmental funds	Other governmental funds	15,435
Total		<u>\$ 529,637</u>

Interfund receivables and payables consists primarily of loans from the general fund to various special revenue funds to cover cash deficits in pooled bank accounts.

SOUTH TIPPAAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(3) Inter-fund Receivables, Payables and Transfers – Continued

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 142,704
Title I - A Basic	General Fund	5,163
IDEA - Part B94-142	General Fund	4,148
Title IV B 21st Century	General Fund	2,529
Other governmental funds	General Fund	2,062
Other governmental funds	Other governmental funds	2,951
Total		\$ 159,557

Interfund transfers were made for budgetary purposes.

(4) Restricted Assets

The restricted assets represent the cash balances, totaling \$204,882, respectively, of debt service funds which are legally restricted and may not be used except for their restricted purposes.

In addition, the restricted assets represent the cash balance, totaling \$1,966,755, respectively, of the Qualified School Construction Fund.

SOUTH TIPPAAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(5) Capital Assets

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

	Balance 7/1/2009	Additions	Retirements	Completed Construction	Balance 6/30/2010
Non-depreciable capital					
Land	\$ 170,967	\$ -0-	\$ -0-	\$ -0-	\$ 170,967
Construction in progress	5,421,584	193,982	-0-	(5,506,492)	109,074
Total non-depreciable	\$ 5,592,551	\$ 193,982	\$ -0-	\$ (5,506,492)	\$ 280,041
Depreciable capital assets:					
Buildings	\$ 13,366,646	\$ -0-	\$ -0-	\$ 5,506,492	\$ 18,873,138
Building improvements	819,809	-0-	-0-	-0-	819,809
Improvements other than buildings	512,535	-0-	-0-	-0-	512,535
Mobile equipment	2,675,224	31,053	-0-	-0-	2,706,277
Furniture and equipment	776,234	201,588	-0-	-0-	977,822
Total depreciable capital	\$ 18,150,448	\$ 232,641	\$ -0-	\$ 5,506,492	\$ 23,889,581
Less accumulated Depreciation					
Buildings	\$ 3,726,916	\$ 348,564	\$ -0-	\$ -0-	\$ 4,075,480
Building improvements	296,993	28,816	-0-	-0-	325,809
Improvements other than buildings	165,724	20,502	-0-	-0-	186,226
Mobile Equipment	1,825,874	125,150	-0-	-0-	1,951,024
Furniture and equipment	515,283	112,551	-0-	-0-	627,834
Total accumulated depreciation	\$ 6,530,790	\$ 635,583	\$ -0-	\$ -0-	\$ 7,166,373
Total depreciable capital assets, net	\$ 11,619,658	\$ (402,942)	\$ -0-	\$ 5,506,492	\$ 16,723,208
Governmental activities capital assets, net	\$ 17,212,209	\$ (208,960)	\$ -0-	\$ -0-	\$ 17,003,249

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 231,956
Support services	401,963
Non-instructional	1,664
Total Depreciation Expense	\$ 635,583

Commitments under construction contracts at June 30, 2010, are summarized as follows:

	Spent to June 30, 2010	Remaining Commitment
Pine Grove PE Building	\$ 109,074	\$ 682,444

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

SOUTH TIPPAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(6) Long-term Liabilities

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

	Balance 7/1/2009	Additions	Reductions	Balance 6/30/2010	Amounts due within one year
A. Three mill notes payable	\$ 67,777	\$ -0-	\$ 67,777	\$ -0-	\$ -0-
B. Shortfall notes payable	256,152	421,486	111,044	566,594	251,154
C. Qualified school construction bonds payable	-0-	2,000,000	-0-	2,000,000	-0-
D. Compensated absences payable	209,240	10,723	-0-	219,963	-0-
Total	\$ 533,169	\$ 2,432,209	\$ 178,821	\$ 2,786,557	\$ 251,154

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Revenue Shortfall Note Series 2007	3.50%	7/11/07	7/11/10	\$ 247,468	\$ 85,351
2. Revenue Shortfall Note Series 2008	3.00%	12/9/08	12/9/11	88,337	59,757
3. Revenue Shortfall Note Series 2009	3.00%	7/16/09	7/16/12	292,208	292,208
4. Revenue Shortfall Note Series 2010	3.00%	6/29/10	6/29/13	129,278	129,278
Total				\$ 757,291	\$ 566,594

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

1. Revenue Shortfall Note Series 2007:

Year Ending June 30	Principal	Interest	Total
2011	\$ 85,351	\$ 2,987	\$ 88,338

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

2. Revenue Shortfall Note Series 2008:

Year Ending June 30	Principal	Interest	Total
2011	\$ 29,437	\$ 1,793	\$ 31,230
2012	30,320	910	31,230
Total	\$ 59,757	\$ 2,703	\$ 62,460

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

SOUTH TIPPAAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(6) Long-term Liabilities - Continued

3. Revenue Shortfall Note Series 2009:

Year Ending June 30	Principal	Interest	Total
2011	\$ 94,538	\$ 8,766	\$103,304
2012	97,374	5,930	103,304
2013	100,296	3,008	103,304
Total	<u>\$292,208</u>	<u>\$ 17,704</u>	<u>\$309,912</u>

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

4. Revenue Shortfall Note Series 2010:

Year Ending June 30	Principal	Interest	Total
2011	\$ 41,828	\$ 3,878	\$ 45,706
2012	43,075	2,631	45,706
2013	44,375	1,331	45,706
Total	<u>\$129,278</u>	<u>\$ 7,840</u>	<u>\$137,118</u>

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

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2011	\$251,154	\$ 17,424	\$268,578
2012	170,769	9,471	180,240
2013	144,671	4,339	149,010
Total	<u>\$566,594</u>	<u>\$ 31,234</u>	<u>\$597,828</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:

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

SOUTH TIPPAAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(6) Long-term Liabilities - Continued

D. Compensated absences payable

As more fully explained in Note 1(F)(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.

(7) Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for copiers.

Lease expenditures for the year ended June 30, 2010, amounted to \$38,940. Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2011	\$ 42,253
2012	33,253
2013	30,757
2014	27,709
2015	6,477
Total	\$ 140,449

(8) Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2010 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2010, 2009 and 2008 were \$1,434,350, \$1,376,988 and \$1,348,084, respectively, which equaled the required contributions for each year.

SOUTH TIPPAAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(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.

(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 63 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

(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.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2010 was \$0. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt.

SOUTH TIPPAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(11) Qualified School Construction Bonds - Continued

The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2011	\$ 122,000
2012	122,000
2013	122,000
2014	122,000
2015	122,000
2016 – 2020	610,000
2021 – 2024	488,000
Total	\$ 1,708,000

(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.

(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 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.

SOUTH TIPPAAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(13) Vocational School Consortium - Continued

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

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

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2010

Revenues	
Local sources	
Taxes	\$ 221,886
Interest	1,388
Other local sources	4,434
Total local sources	\$ 227,708
State sources	\$ 354,239
Federal sources	493
Total Revenues	\$ 582,440
Expenditures	
Salaries	\$ 401,514
Employee benefits	120,157
Purchased property services	29,293
Other purchased services	30,869
Supplies	14,864
Property	27,876
Total Expenditures	\$ 624,573
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (42,133)
Other Financing Sources/Uses:	
Sale of other property	\$ 1,812
Total Other Financing Sources/Uses	\$ 1,812
Net Change in Fund Balance	\$ (40,321)
Fund Balance:	
July 1, 2009,	88,985
June 30, 2010	\$ 48,664

SOUTH TIPPAAH SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2010

(14) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the South Tippah School District evaluated the activity of the district through December 10, 2010, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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SOUTH TIPPAAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP) (Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,045,225	\$ 3,085,785	\$ 3,085,785	\$ 40,560	\$ -0-
State sources	14,319,339	12,149,644	12,149,644	(2,169,695)	-0-
Federal sources	70,000	148,200	148,200	78,200	-0-
Total Revenues	\$ 17,434,564	\$ 15,383,629	\$ 15,383,629	\$ (2,050,935)	\$ -0-
Expenditures:					
Instruction	\$ 10,970,624	\$ 9,580,443	\$ 9,580,443	\$ 1,390,181	\$ -0-
Support services	5,646,269	5,357,179	5,357,179	289,090	-0-
Non-instructional services	215,000	278,831	278,831	(63,831)	-0-
Facilities acquisition and construction	-0-	84,907	84,907	(84,907)	-0-
Total Expenditures	\$ 16,831,893	\$ 15,301,360	\$ 15,301,360	\$ 1,530,533	\$ -0-
Excess (Deficiency) of Revenues Over Expenditures					
	\$ 602,671	\$ 82,269	\$ 82,269	\$ (520,402)	\$ -0-
Other Financing Sources (Uses):					
Proceeds of loans	\$ -0-	\$ 421,486	\$ 421,486	\$ 421,486	\$ -0-
Insurance loss recoveries	-0-	1,387	1,387	1,387	-0-
Sale of other property	-0-	314	314	314	-0-
Operating transfers in	302,101	13,902	13,902	(288,199)	-0-
Operating transfers out	(478,201)	(142,704)	(142,704)	335,497	-0-
Total Other Financing Sources (Uses)	\$ (176,100)	\$ 294,385	\$ 294,385	\$ 470,485	\$ -0-
Net Change in Fund Balances	\$ 426,571	\$ 376,654	\$ 376,654	\$ (49,917)	\$ -0-
Fund Balances:					
July 1, 2009	981,530	981,530	981,530	-0-	-0-
June 30, 2010	\$ 1,408,101	\$ 1,358,184	\$ 1,358,184	\$ (49,917)	\$ -0-

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

SOUTH TIPPAAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP)	Original	Final
			(Basis)	to Final	to Actual
Revenues:					
Federal sources	\$ 879,424	\$ 781,317	\$ 781,317	\$ (98,107)	\$ -0-
Total Revenues	\$ 879,424	\$ 781,317	\$ 781,317	\$ (98,107)	\$ -0-
Expenditures:					
Instruction	\$ 724,096	\$ 631,980	\$ 631,980	\$ 92,116	\$ -0-
Support services	138,266	143,649	143,649	(5,383)	-0-
Noninstructional services	12,553	525	525	12,028	-0-
Total Expenditures	\$ 874,915	\$ 776,154	\$ 776,154	\$ 98,761	\$ -0-
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,509	\$ 5,163	\$ 5,163	\$ 654	\$ -0-
Other Financing Sources (Uses):					
Operating transfers out	\$ (4,509)	\$ (5,163)	\$ (5,163)	\$ (654)	\$ -0-
Total Other Financing Sources (Uses)	\$ (4,509)	\$ (5,163)	\$ (5,163)	\$ (654)	\$ -0-
Net Change in Fund Balances	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Fund Balances:					
July 1, 2009	-0-	-0-	-0-	-0-	-0-
June 30, 2010	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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

SOUTH TIPPAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE IDEA PART B 94-142
FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP) (Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 643,057	\$ 589,823	\$ 589,823	\$(53,234)	\$ -0-
Total Revenues	\$ 643,057	\$ 589,823	\$ 589,823	\$(53,234)	\$ -0-
Expenditures:					
Instruction	\$ 420,831	\$ 374,463	\$ 374,463	\$ 46,368	\$ -0-
Support services	217,226	211,212	211,212	6,014	-0-
Noninstructional services	5,000	-0-	-0-	5,000	-0-
Total Expenditures	\$ 643,057	\$ 585,675	\$ 585,675	\$ 57,382	\$ -0-
Excess (Deficiency) of Revenues Over Expenditures	\$ -0-	\$ 4,148	\$ 4,148	\$ 4,148	\$ -0-
Other Financing Sources (Uses):					
Operating transfers out	\$ (-0-)	\$(4,148)	\$(4,148)	\$(4,148)	\$ -0-
Total Other Financing Sources (Uses)	\$ (-0-)	\$(4,148)	\$(4,148)	\$(4,148)	\$ -0-
Net Change in Fund Balances	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Fund Balances:					
July 1, 2009	-0-	-0-	-0-	-0-	-0-
June 30, 2010	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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

SOUTH TIPPAAH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE IV B 21st CENTURY FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP) (Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 60,993	\$ 401,832	\$ 401,832	\$ 340,839	\$ -0-
Total Revenues	\$ 60,993	\$ 401,832	\$ 401,832	\$ 340,839	\$ -0-
Expenditures:					
Instruction	\$ 1,037	\$ 324,319	\$ 324,319	\$(323,282)	\$ -0-
Support services	16,468	74,984	74,984	(58,516)	-0-
Noninstructional services	-0-	-0-	-0-	-0-	-0-
Total Expenditures	\$ 17,505	\$ 399,303	\$ 399,303	\$(381,798)	\$ -0-
Excess (Deficiency) of Revenues Over Expenditures	\$ 43,488	\$ 2,529	\$ 2,529	\$(40,959)	\$ -0-
Other Financing Sources (Uses):					
Operating transfers out	\$ (-0-	\$(2,529)	\$(2,529)	\$(2,529)	\$ -0-
Total Other Financing Sources (Uses)	\$ (-0-)	\$(2,529)	\$(2,529)	\$(2,529)	\$ -0-
Net Change in Fund Balances	\$ 43,488	\$ -0-	\$ -0-	\$(43,488)	\$ -0-
Fund Balances:					
July 1, 2009	-0-	-0-	-0-	-0-	-0-
June 30, 2010	\$ 43,488	\$ -0-	\$ -0-	\$(43,488)	\$ -0-

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

SOUTH TIPPAAH SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

Budgetary Comparison Schedule

Note 1: Basis of Presentation

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

Note 2: Budget Amendments and Revisions

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

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SUPPLEMENTAL INFORMATION

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**SOUTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 257,019
National school lunch program	10.555	777,828
Summer food service program for children	10.559	17,289
Total Child Nutrition Cluster		\$ 1,052,136
Total U.S. Department of Agriculture		\$ 1,052,136
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the Universal Service Fund	32.XXX	\$ 27,817
Total Federal Communications Commission		\$ 27,817
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	\$ 38,890
Safe and drug-free schools and communities - state grants	84.186	10,647
Twenty-first century community learning centers	84.287	401,832
Education technology state grants	84.318	5,780
Rural education	84.358	70,285
English language acquisition grants	84.365	29,441
Improving teacher quality - state grants	84.367	120,675
ARRA - State fiscal stabilization fund - education state grants	84.394	961,762
Subtotal		\$ 1,639,312
Title I Part A Cluster:		
Title I - grants to local educational agencies	84.010	\$ 781,317
ARRA - Title I - grants to local educational agencies	84.389	292,494
Total Title I Part A Cluster		\$ 1,073,811
Special Education Cluster:		
Special education - grants to states	84.027	\$ 598,486
Special education - preschool grants	84.173	24,422
ARRA - Special education - grants to states	84.391	16,709
ARRA - Special education - preschool grants	84.392	1,520
Total Special Education Cluster		\$ 641,137
Total Passed-through Mississippi Department of Education		\$ 3,354,260
Total U.S. Department of Education		\$ 3,354,260
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Development Education:		
Medical assistance program	93.778	\$ 52,344
Total U.S. Department of Health and Human Services		\$ 52,344
Total for All Federal Awards		\$ 4,486,557

SOUTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Continued

NOTES TO SCHEDULE

Note 1: This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.

Note 2: The expenditure amounts include transfers out.

Note 3: The pass-through entities did not assign identifying numbers to the school district.

**SOUTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE,
AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

<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	\$ 16,581,798	\$ 13,292,423	\$ 540,082	\$ 1,084,682	\$ 1,664,611
Other	4,946,850	1,753,812	147,760	41,618	3,003,660
Total	<u>\$ 21,528,648</u>	<u>\$ 15,046,235</u>	<u>\$ 687,842</u>	<u>\$ 1,126,300</u>	<u>\$ 4,668,271</u>
Total number of students*	<u>2,705</u>				
Cost per student	<u>\$ 7,959</u>	<u>\$ 5,563</u>	<u>\$ 254</u>	<u>\$ 416</u>	<u>\$ 1,726</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.

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.

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OTHER SUPPLEMENTAL INFORMATION

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

"UNAUDITED"

	2010	2009*	2008*	2007*
REVENUES:				
Local sources	\$ 3,085,785	\$ 2,805,084	\$ 3,114,375	\$ 3,065,930
State sources	12,149,644	13,472,628	13,819,538	13,066,889
Federal sources	148,200	201,448	116,326	155,182
Total Revenues	\$ 15,383,629	\$ 16,479,160	\$ 17,050,239	\$ 16,288,001
EXPENDITURES:				
Instruction	\$ 9,580,443	\$ 10,823,697	\$ 10,638,382	\$ 9,651,605
Support services	5,357,179	5,379,598	5,258,326	4,870,072
Non-instructional services	278,831	262,897	271,898	262,524
Facilities acquisition and construction	84,907	5,440,698	2,155,341	1,433,982
Total Expenditures	\$ 15,301,360	\$ 21,906,890	\$ 18,323,947	\$ 16,218,183
Excess (Deficiency) of Revenues over Expenditures	\$ 82,269	\$ (5,427,730)	\$ (1,273,708)	\$ 69,818
OTHER FINANCING SOURCES (USES):				
Proceeds of loans	\$ 421,486	\$ -0-	\$ 247,468	\$ -0-
Insurance loss recoveries	1,387	210,442	-0-	13,333
Sale of transportation equipment	-0-	227	1,362	-0-
Sale of other property	314	-0-	31,507	-0-
Operating transfers in	13,902	4,065	4,542	3,679
Operating transfers out	(142,704)	(136,500)	(116,927)	(190,085)
Total Other Financing Sources (Uses)	\$ 294,385	\$ 78,234	\$ 167,952	\$ (173,073)
NET CHANGE IN FUND BALANCES	\$ 376,654	\$ (5,349,496)	\$ (1,105,756)	\$ (103,255)
FUND BALANCES:				
July 1	981,530	6,331,026	7,436,782	7,540,037
June 30	<u>\$ 1,358,184</u>	<u>\$ 981,530</u>	<u>\$ 6,331,026</u>	<u>\$ 7,436,782</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"

	2010	2009*	2008*	2007*
REVENUES:				
Local sources	\$ 3,904,353	\$ 3,558,925	\$ 3,666,167	\$ 3,567,048
State sources	13,048,008	14,401,938	14,724,234	13,973,064
Federal sources	4,657,221	2,741,967	2,707,579	2,948,063
Total Revenues	\$ 21,609,582	\$ 20,702,830	\$ 21,097,980	\$ 20,488,175
EXPENDITURES:				
Instruction	\$ 13,170,128	\$ 12,973,705	\$ 12,757,646	\$ 11,937,450
Support services	6,496,845	6,349,110	6,247,667	6,065,972
Non-instructional services	1,458,019	1,454,455	1,417,971	1,326,204
Facilities acquisition and construction	193,982	5,440,698	2,296,989	1,436,466
Debt Service:				
Principal	178,821	145,776	-0-	-0-
Interest	10,218	12,009	-0-	-0-
Other	20,635	-0-	-0-	-0-
Total Expenditures	\$ 21,528,648	\$ 26,375,753	\$ 22,720,273	\$ 20,766,092
Excess (Deficiency) of Revenues over Expenditures	\$ 80,934	\$ (5,672,923)	\$ (1,622,293)	\$ (277,917)
OTHER FINANCING SOURCES (USES):				
Proceeds of general obligation bonds	\$ 2,000,000	\$ -0-	\$ -0-	\$ -0-
Proceeds of loans	421,486	88,337	381,368	-0-
Insurance loss recoveries	1,387	330,693	9,987	13,333
Sale of transportation equipment	-0-	227	1,864	-0-
Sale of other property	2,125	300	32,008	2,155
Operating transfers in	159,557	143,208	121,469	193,764
Other financing sources	-0-	-0-	72,100	-0-
Operating transfers out	(159,557)	(143,208)	(121,469)	(193,764)
Total Other Financing Sources (Uses)	\$ 2,424,998	\$ 419,557	\$ 497,327	\$ 15,488
NET CHANGE IN FUND BALANCES	\$ 2,505,932	\$ (5,253,366)	\$ (1,124,966)	\$ (262,429)
FUND BALANCES:				
July 1	1,588,410	6,850,780	7,976,256	8,231,915
Increase (Decrease) in Reserve for Inventory	4,082	(9,004)	(510)	6,770
June 30	\$ 4,098,424	\$ 1,588,410	\$ 6,850,780	\$ 7,976,256

*SOURCE-PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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M. M. WINKLER & ASSOCIATES

Certified Public Accountants

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

**INDEPENDENT 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 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, 2010, which collectively comprise the South Tippah School District's basic financial statements and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**INDEPENDENT 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***

-Continued-

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

M. M. Winkler & Associates

December 10, 2010

M. M. WINKLER & ASSOCIATES

Certified Public Accountants

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

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

Superintendent and School Board
South Tippah School District

Compliance

We have audited the compliance of the South Tippah School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The school district's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on school district's compliance based on our audit.

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

In our opinion, South Tippah School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the South Tippah School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

- Continued -

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

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

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

M. M. Winkler & Associates

December 10, 2010

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

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M. M. WINKLER & ASSOCIATES

Certified Public Accountants

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

INDEPENDENT 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, 2010, which collectively comprise South Tippah School District's basic financial statements and have issued our report thereon dated December 10, 2010. 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 \$48,684 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 in appropriate 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.

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

-Continued-

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

M. M. Winkler & Associates

December 10, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SOUTH TIPPAAH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | |
|---|---------------|
| 4. Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| Cluster: Child Nutrition | |
| CFDA#: 10.553; CDFA#: 10.555; CFDA#: 10.559 | |
| Cluster: Title I, Part A Cluster | |
| CFDA#: 84.010; CDFA#: 84.389 | |
| Cluster: Special Education | |
| CFDA#: 84.027; CFDA#: 84.173; CFDA#:84.391; | |
| CDFA#: 84.392 | |
| State Fiscal Stabilization Fund - Educational State Grants | |
| CFDA#: 84.394 | |
| Twenty-First Century Community Learning Centers | |
| CFDA#: 84.287 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |

**SOUTH TIPPAH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010**

-Continued-

Section 1: Summary of Auditors' Results - Continued

Federal Awards: - Continued-

- | | |
|--|-----|
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statements Findings

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

Section 3: Federal Awards Findings and Questioned Costs

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