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TUPELO PUBLIC 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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INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Tupelo Public School District

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2010, which collectively comprise the Tupelo Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tupelo Public 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public 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 March 30, 2012, on our consideration of the Tupelo Public 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 Schedule and corresponding notes are not a required part of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

**INDEPENDENT AUDITOR'S 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 Tupelo Public 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

March 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2010

The discussion and analysis of Tupelo Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the School 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 School 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 \$3,676,181, including a prior period adjustment of \$15,262, which represents a 7% increase from fiscal year 2009. Total net assets for 2009 increased \$2,892,364, including a prior period adjustment of \$15,263, which represents a 6% increase from fiscal year 2008.
- General revenues amounted to \$61,746,097 and \$62,437,152, or 83% and 84% 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 \$12,988,421 or 17% of total revenues for 2010, and \$11,670,197 or 16% of total revenues for 2009.
- The District had \$71,071,482 and \$71,230,248 in expenses for fiscal years 2010 and 2009; only \$12,988,421 for 2010 and \$11,670,197 for 2009 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$61,746,097 for 2010 and \$62,437,152 for 2009 were adequate to provide for these programs.
- Among major funds, the General Fund had \$55,576,523 in revenues and \$53,147,215 in expenditures for 2010 and \$57,775,201 in revenues and \$55,229,483 in expenditures for 2009. The General Fund's fund balance increased \$1,209,831, including a prior period adjustment of (\$19,391) and a decrease in reserve for inventory of \$11,200, from 2009 to 2010 and decreased \$306,005 from 2008 to 2009.
- Capital assets, net of accumulated depreciation, increased by \$590,187 for 2010 and increased by \$3,815,449 for 2009.
- Long-term debt increased by \$184,565 for 2010 and decreased by \$4,222,281 for 2009. This increase was due primarily to the issuance of qualified school construction bonds in the amount of \$3,000,000, shortfall notes payable in the amount of \$243,012, and obligations under capital lease in the amount of \$1,202,468. The liability for compensated absences increased \$30,814 for 2010 and increased by \$17,194 for 2009.

OVERVIEW OF THE 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.

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.

**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2010

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 two types of activities:

Governmental activities – These are functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional and interest on long-term liabilities.

Component unit – These are operations that are legally separate from the District, but for which the District is financially accountable. The nature and significance of its relationship with the school district is such that its exclusion would cause the Tupelo Public School District's financial statements to be misleading or incomplete. The District's discretely presented component unit is the Tupelo School District Learning Foundation.

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.

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 non-major funds are combined together 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.

TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

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.

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 \$53,346,224 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.

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

	Governmental Activities		Percentage	Component Unit		Percentage
	2010	2009	Change	2010	2009	Change
			2009-2010			2009-2010
Current assets	\$ 13,621,716	\$ 9,092,954	.50%	\$ 216,417	\$ 203,570	6.31%
Restricted assets	3,334,304	2,910,539	.15%	-0-	-0-	N/A
Capital assets, net	66,676,767	65,979,580	1.06%	1,394,833	1,501,833	-7.12%
Total Assets	\$ 83,632,787	\$ 77,983,073	7.24%	\$ 1,611,250	\$ 1,705,403	-5.52%
Current liabilities	\$ 2,347,834	\$ 656,905	257.41%	\$ 94,900	\$ 91,014	4.27%
Long-term debt outstanding	29,455,079	29,270,514	0.63%	-0-	-0-	N/A
Total Liabilities	\$ 31,802,913	\$ 29,927,419	6.27%	\$ 94,900	\$ 91,014	4.27%
Net assets:						
Invested in capital assets,						
net of related debt	\$ 38,399,438	\$ 37,690,406	1.88%	\$ 1,394,833	\$ 1,501,833	-7.12%
Restricted	7,037,936	4,982,286	41.26%	-0-	-0-	N/A
Unrestricted	6,392,500	5,382,962	18.75%	121,517	112,556	7.96%
Total net assets	\$ 51,829,874	\$ 48,055,654	7.85%	\$ 1,516,350	\$ 1,614,389	-6.07%

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

- Increase in net capital assets in the amount of \$590,187.
- The issuance of debt in the amount of \$6,951,294.
- The principal retirement of \$6,766,729 of debt.

TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$74,734,518 and \$74,107,349 respectively.

The total cost of all programs and services was \$71,071,482 for 2010 and \$71,230,248 for 2009.

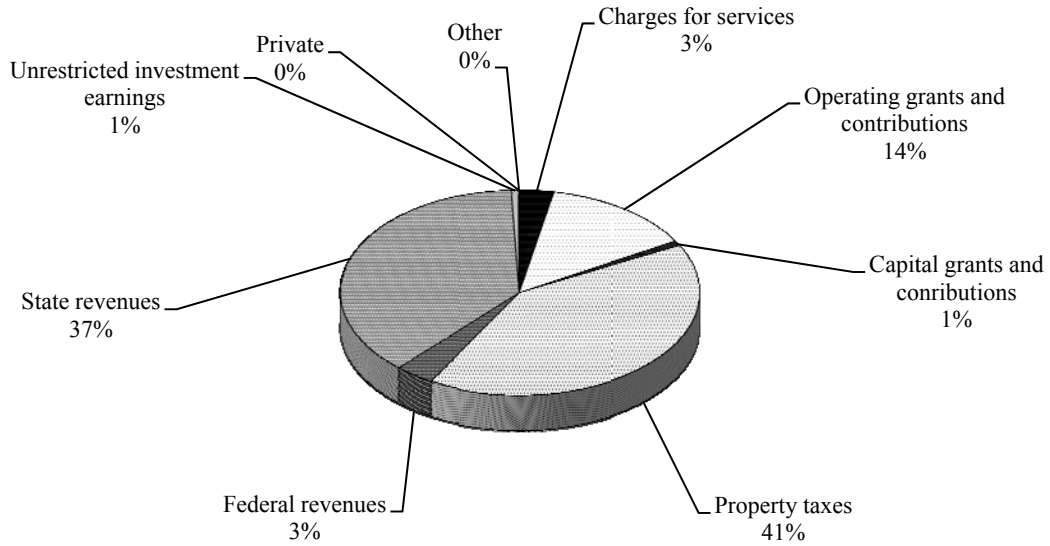
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

Table 2
Changes in Net Assets

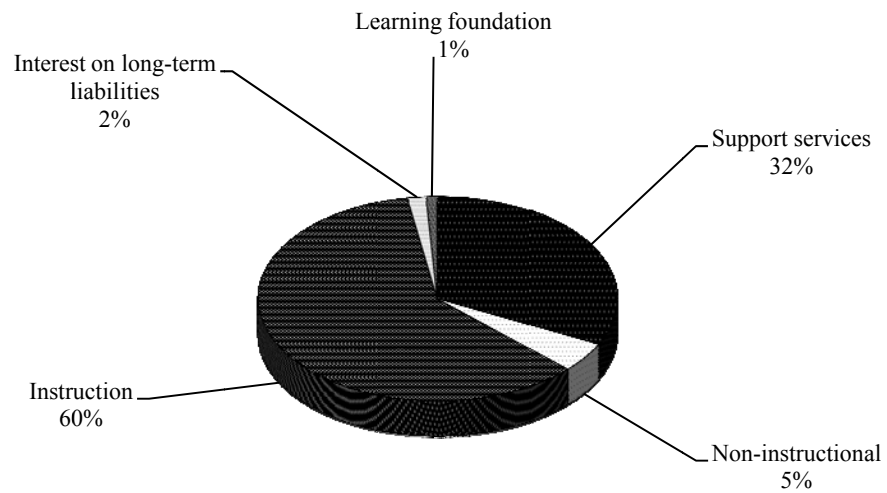
	<u>2010</u>	<u>2009</u>	<u>Total Percentage Change 2009-2010</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,279,936	\$ 2,317,442	-1.62%
Operating grants and contributions	10,135,312	9,124,549	11.08%
Capital grants and contributions	573,173	228,206	151.16%
General revenues:			
Property taxes	30,525,130	29,739,071	2.64%
Grants and contributions not restricted:			
State	28,045,288	30,977,844	-9.47%
Federal	2,647,597	813,344	225.52%
Private	3,253	6,872	-52.66%
Unrestricted investment earnings	476,383	489,630	-2.71%
Other	48,446	410,391	-88.20%
Total revenues	\$ 74,734,518	\$ 74,107,349	0.85%
Expenses:			
Instruction	\$ 42,790,328	\$ 42,526,975	0.62%
Support services	23,059,883	23,060,341	0.00%
Non-instructional	3,330,112	3,506,316	-5.03%
Interest on long-term liabilities	1,184,408	1,327,888	-10.81%
Learning foundation	706,751	808,728	-12.61%
Total expenses	\$ 71,071,482	\$ 71,230,248	-0.22%
Special items	\$ (2,117)	\$ -0-	N/A
Increase in net assets	\$ 3,660,919	\$ 2,877,101	27.24%
Net Assets, July 1	\$ 49,670,043	\$ 46,777,679	6.18%
Prior Period Adjustment	15,262	15,263	-0.01%
Net Assets, July 1 Restated	\$ 49,685,305	\$ 46,792,942	6.18%
Net Assets, June 30	\$ 53,346,224	\$ 49,670,043	7.41%

**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2010

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



**Figure 2
Expenses for Fiscal Year 2010**



**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2010

Governmental activities. Table 3 presents the cost of four major District functional activities: instruction, support services, non-instructional and interest on long-term debt. The table also shows each function'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 2009-2010	Net (Expense) Revenue		Percentage Change 2009-2010
	2010	2009		2010	2009	
Instruction	\$ 42,790,328	\$ 42,526,975	0.62%	\$ (36,465,058)	\$ (36,695,966)	-0.63%
Support services	23,059,883	23,060,341	0.00%	(20,535,968)	(21,258,684)	-3.40%
Non-instructional	3,330,112	3,506,316	-5.03%	272,466	(33,932)	902.98%
Interest on long-term liabilities	1,184,408	1,327,888	-10.81%	(1,184,408)	(1,327,888)	-10.81%
Total expenses	\$ 70,364,731	\$ 70,421,520	-0.08%	\$ (57,912,968)	\$ (59,316,470)	-2.37%

- Net cost of governmental activities (\$57,912,968 for 2010 and \$59,316,470 for 2009), was financed by general revenue, which is primarily made up of property taxes (\$30,525,130 for 2010 and \$29,739,071 for 2009) and state revenue (\$28,045,288 for 2010 and \$30,977,844 for 2009).
- Investment earnings amounted to \$470,484 for 2010 and \$482,161 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 \$14,666,845, an increase of \$3,278,716, which includes a prior period adjustment of \$15,204, and a decrease in inventory of \$4,037. \$7,447,128 or 51% 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 \$7,219,717 or 49% is reserved or designated to indicate that it is not available for spending because it has already been committed.

TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

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 \$1,209,831 which includes a prior period adjustment of (\$19,391) and a decrease in reserve for inventory of \$11,200. The fund balance of Other Governmental Funds showed a decrease of \$357,920, which includes an increase in reserve for inventory of \$7,163, a residual equity transfer of \$960,875 and a prior period adjustment of \$34,595. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
QSCB Limited Tax Note	\$	1,345,540
BI 1999 Retirement Fund *	\$	1,081,265

*Includes Residual Equity Transfer of \$960,875

BUDGETARY HIGHLIGHTS

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

- Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the school district.
- Actual expenditures were below budget, primarily because the District budgets from fund balance for unplanned expenditures (contingency). The District did not spend the entire contingency amount.

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 supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the District's total net capital assets, including primary government and component unit, were \$68,071,600, including land, school buildings, buses, other school vehicles and furniture and equipment. (See Table 4) This amount represents a net increase of \$590,187 from 2009. Total accumulated depreciation as of June 30, 2010 was \$30,029,420 and total depreciation expense for the year was \$2,560,525, resulting in total net capital assets of \$68,071,600.

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

	<u>2010</u>	<u>2009</u>	<u>Total Percentage Change 2009-2010</u>
Land	\$ 4,122,182	\$ 4,122,182	0.00%
Construction in progress	2,833,911	2,940,028	-3.61%
Buildings	48,512,581	47,011,565	3.19%
Building Improvements	9,320,453	9,831,807	-5.20%
Improvements other than buildings	1,012,744	1,077,425	-6.00%
Mobile Equipment	1,426,165	1,646,483	-13.38%
Furniture and equipment	843,564	851,923	-0.98%
Totals	\$ 68,071,600	\$ 67,481,413	0.87%

Additional information on the District's capital assets can be found in Note 6 included in this report.

**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2010

Debt Administration. At June 30, 2010, the District had \$29,455,079 in outstanding long-term debt, of which \$4,208,117 is due within one year. The liability for compensated absences increased \$30,814 from the prior year.

The District maintains an AAA bond rating.

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

	<u>2010</u>	<u>2009</u>	<u>Total Percentage Change 2009-2010</u>
General obligation bonds payable	\$ 18,610,000	\$ 21,790,000	-14.59%
Deferred amount on refunding	(556,707)	(632,729)	-12.01%
Unamortized premiums	763,681	907,086	-15.81%
Limited obligation bonds payable	4,965,000	5,500,000	-9.73%
Shortfall note payable	401,769	232,290	72.96%
Obligations under capital leases	872,706	-0-	N/A
Obligations under energy efficiency lease	788,976	895,027	-11.85%
Qualified school construction bonds payable	3,000,000	-0-	N/A
Compensated absences payable	609,654	578,840	5.32%
Totals	<u>\$ 29,455,079</u>	<u>\$ 29,270,514</u>	0.63%

Additional information of the District's long-term debt can be found in Note 7 included in this report.

CURRENT ISSUES

The Tupelo Public 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.

Enrollment for the 2009-2010 year increased by 1.38% to 6,736 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Tupelo Public School District, P.O. Box 557, Tupelo, Mississippi 38802.

FINANCIAL STATEMENT

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TUPELO PUBLIC SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

Exhibit A

	Primary Government Governmental Activities	Component Unit Learning Foundation	Total Reporting Entity
Assets			
Cash and cash equivalents	\$ 10,798,669	\$ 105,613	\$ 10,904,282
Investments	188,207	2,488	190,695
Due from primary government	-0-	61,076	61,076
Due from fiduciary funds	-0-	3,400	3,400
Due from other governments	2,199,879	-0-	2,199,879
Other receivables, net	15,177	15,996	31,173
Deferred charges on debt issuance cost	166,327	-0-	166,327
Inventories and prepaid items	253,457	27,844	281,301
Restricted assets	3,334,304	-0-	3,334,304
Capital assets, non-depreciable:			
Land	3,922,182	200,000	4,122,182
Construction in progress	2,833,911	-0-	2,833,911
Capital assets, net of accumulated depreciation:			
Buildings	47,317,748	1,194,833	48,512,581
Building improvements	9,320,453	-0-	9,320,453
Improvements other than buildings	1,012,744	-0-	1,012,744
Mobile equipment	1,426,165	-0-	1,426,165
Furniture and equipment	843,564	-0-	843,564
Total Assets	<u>\$ 83,632,787</u>	<u>\$ 1,611,250</u>	<u>\$ 85,244,037</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 2,041,041	\$ 93,111	\$ 2,134,152
Due to component unit	61,076	-0-	61,076
Unearned revenue	20,731	1,789	22,520
Interest payable on long-term liabilities	224,986	-0-	224,986
Long-term liabilities, due within one year :			
Capital related liabilities	4,052,967	-0-	4,052,967
Non-capital related liabilities	155,150	-0-	155,150
Long-term liabilities, due beyond one year :			
Capital related liabilities	24,390,689	-0-	24,390,689
Non-capital related liabilities	856,273	-0-	856,273
Total Liabilities	<u>\$ 31,802,913</u>	<u>\$ 94,900</u>	<u>\$ 31,897,813</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 38,399,438	\$ 1,394,833	\$ 39,794,271
Restricted net assets:			
Expendable:			
School-based activities	296,661	-0-	296,661
Debt service	3,197,947	-0-	3,197,947
Capital improvements	3,338,596	-0-	3,338,596
Unemployment benefits	204,732	-0-	204,732
Unrestricted	6,392,500	121,517	6,514,017
Total Net Assets	<u>\$ 51,829,874</u>	<u>\$ 1,516,350</u>	<u>\$ 53,346,224</u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2010

Exhibit B

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Operating	Capital	Primary	Component	
		Charges for	Grants and	Grants and	Government	Unit	Total
Functions/Programs	Expenses	Services	Contributions	Contributions	Governmental	Learning	Reporting
					Activities	Foundation	Entity
Governmental Activities:							
Instruction	\$ 42,790,328	\$ 563,950	\$ 5,508,295	\$ 253,025	\$ (36,465,058)	\$ -0-	\$ (36,465,058)
Support services	23,059,883	135,218	2,074,296	314,401	(20,535,968)	-0-	(20,535,968)
Non-instructional	3,330,112	1,044,110	2,552,721	5,747	272,466	-0-	272,466
Interest on long-term liabilities	1,184,408	-0-	-0-	-0-	(1,184,408)	-0-	(1,184,408)
Total Governmental Activities	\$ 70,364,731	\$ 1,743,278	\$ 10,135,312	\$ 573,173	\$ (57,912,968)	\$ -0-	\$ (57,912,968)
Total Primary Government	\$ 70,364,731	\$ 1,743,278	\$ 10,135,312	\$ 573,173	\$ (57,912,968)	\$ -0-	\$ (57,912,968)
Component Unit:							
Learning Foundation	\$ 706,751	\$ 536,658	\$ -0-	\$ -0-	\$ -0-	\$ (170,093)	\$ (170,093)
Total Component Unit	\$ 706,751	\$ 536,658	\$ -0-	\$ -0-	\$ -0-	\$ (170,093)	\$ (170,093)
General Revenues:							
Taxes:							
General purpose levies					\$ 25,559,959	\$ -0-	\$ 25,559,959
Debt purpose levies					4,965,171	-0-	4,965,171
Unrestricted grants and contributions:							
State					28,045,288	-0-	28,045,288
Federal					2,647,597	-0-	2,647,597
Private					-0-	3,253	3,253
Unrestricted investment income					470,484	5,899	476,383
Other					46,620	1,826	48,446
Total General Revenues					\$ 61,735,119	\$ 10,978	\$ 61,746,097
Transfers					\$ (61,076)	\$ 61,076	\$ -0-
Special Items					\$ (2,117)	\$ -0-	\$ (2,117)
Total General Revenues, Transfers, and Special Items					\$ 61,671,926	\$ 72,054	\$ 61,743,980
Change in Net Assets					\$ 3,758,958	\$ (98,039)	\$ 3,660,919
Net Assets - Beginning, as originally reported					\$ 48,055,654	\$ 1,614,389	\$ 49,670,043
Prior Period Adjustments					15,262	-0-	15,262
Net Assets - Beginning, as restated					\$ 48,070,916	\$ 1,614,389	\$ 49,685,305
Net Assets - Ending					\$ 51,829,874	\$ 1,516,350	\$ 53,346,224

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

TUPELO PUBLIC SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2010

Exhibit C

	Major Funds				
	General	Qualified	BI 1999	Other	Total
	Fund	School Construction	Retirement	Governmental	Governmental
		Bond Fund	Fund	Funds	Funds
Assets					
Cash and cash equivalents	\$ 5,229,270	\$ 3,045,442	\$ 2,911,087	\$ 2,843,210	\$ 14,029,009
Investments	3,078	-0-	71,649	217,444	292,171
Due from other governments	1,084,334	-0-	61,261	1,054,284	2,199,879
Other receivables, net	7,057	-0-	-0-	8,121	15,178
Due from other funds	1,194,918	-0-	-0-	59,804	1,254,722
Inventories	20,865	-0-	-0-	115,094	135,959
Prepaid items	117,497	-0-	-0-	-0-	117,497
Total assets	<u>\$ 7,657,019</u>	<u>\$ 3,045,442</u>	<u>\$ 3,043,997</u>	<u>\$ 4,297,957</u>	<u>\$ 18,044,415</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 192,020	\$ 1,699,902	\$ -0-	\$ 149,119	\$ 2,041,041
Due to component unit	61,076	-0-	-0-	-0-	61,076
Due to other funds	-0-	-0-	-0-	1,254,722	1,254,722
Deferred revenue	-0-	-0-	-0-	20,731	20,731
Total Liabilities	<u>\$ 253,096</u>	<u>\$ 1,699,902</u>	<u>\$ -0-</u>	<u>\$ 1,424,572</u>	<u>\$ 3,377,570</u>
Fund Balances:					
Reserved for:					
Inventory	\$ 20,865	\$ -0-	\$ -0-	\$ 115,094	\$ 135,959
Prepaid items	117,497	-0-	-0-	-0-	117,497
Capital projects	-0-	1,345,540	-0-	-0-	1,345,540
Debt service	-0-	-0-	3,043,997	378,936	3,422,933
Unemployment benefits	-0-	-0-	-0-	204,732	204,732
Unreserved:					
Designated for, reported in:					
Capital Projects Funds	-0-	-0-	-0-	1,993,056	1,993,056
Undesignated, reported in:					
General Fund	7,265,561	-0-	-0-	-0-	7,265,561
Special Revenue Funds	-0-	-0-	-0-	181,567	181,567
Total Fund Balances	<u>\$ 7,403,923</u>	<u>\$ 1,345,540</u>	<u>\$ 3,043,997</u>	<u>\$ 2,873,385</u>	<u>\$ 14,666,845</u>
Total Liabilities and Fund Balances	<u>\$ 7,657,019</u>	<u>\$ 3,045,442</u>	<u>\$ 3,043,997</u>	<u>\$ 4,297,957</u>	<u>\$ 18,044,415</u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010

Exhibit C-1

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 14,666,845
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 \$27,985,410.	66,676,767
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(29,455,079)
3. Net Deferred charges on debt issuance costs	166,327
4. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(224,986)</u>
Total Net Assets - Governmental Activities	\$ <u><u>51,829,874</u></u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds				Exhibit D
	General Fund	Qualified School Construction Bond Fund	BI 1999 Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 26,520,503	\$ 45,442	\$ 3,480,536	\$ 3,029,937	\$ 33,076,418
State sources	28,383,335	-0-	-0-	1,701,795	30,085,130
Federal sources	672,685	-0-	-0-	10,361,016	11,033,701
Total Revenues	<u>\$ 55,576,523</u>	<u>\$ 45,442</u>	<u>\$ 3,480,536</u>	<u>\$ 15,092,748</u>	<u>\$ 74,195,249</u>
Expenditures:					
Instruction	\$ 34,573,655	\$ -0-	\$ -0-	\$ 8,198,729	\$ 42,772,384
Support services	18,569,247	-0-	-0-	2,443,233	21,012,480
Noninstructional services	75	-0-	-0-	3,341,880	3,341,955
Facilities acquisition and construction	-0-	1,677,103	-0-	1,031,207	2,708,310
Debt service:					
Principal	-0-	-0-	2,620,000	2,079,346	4,699,346
Interest	4,238	-0-	818,100	389,535	1,211,873
Other	-0-	22,799	1,245	5,144	29,188
Total Expenditures	<u>\$ 53,147,215</u>	<u>\$ 1,699,902</u>	<u>\$ 3,439,345</u>	<u>\$ 17,489,074</u>	<u>\$ 75,775,536</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 2,429,308</u>	<u>\$ (1,654,460)</u>	<u>\$ 41,191</u>	<u>\$ (2,396,326)</u>	<u>\$ (1,580,287)</u>
Other Financing Sources (Uses):					
Proceeds of school construction bonds	\$ -0-	\$ 3,000,000	\$ -0-	\$ -0-	\$ 3,000,000
Proceeds of loans	133,299	-0-	79,523	505,190	718,012
Inception of capital leases	1,202,468	-0-	-0-	-0-	1,202,468
Insurance loss recoveries	5,122	-0-	-0-	-0-	5,122
Operating transfers in	1,207,480	-0-	-0-	3,928,122	5,135,602
Operating transfers out	(3,729,380)	-0-	-0-	(1,467,298)	(5,196,678)
Other financing uses	(7,875)	-0-	(264)	(6,434)	(14,573)
Total Other Financing Sources (Uses)	<u>\$ (1,188,886)</u>	<u>\$ 3,000,000</u>	<u>\$ 79,259</u>	<u>\$ 2,959,580</u>	<u>\$ 4,849,953</u>
Special items	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (2,117)</u>	<u>\$ (2,117)</u>
Net Change in Fund Balances	<u>\$ 1,240,422</u>	<u>\$ 1,345,540</u>	<u>\$ 120,450</u>	<u>\$ 561,137</u>	<u>\$ 3,267,549</u>
Fund Balances:					
July 1, 2009, as originally reported	\$ 6,194,092	\$ -0-	\$ 1,962,732	\$ 3,231,305	\$ 11,388,129
Prior period adjustments	(19,391)	-0-	-0-	34,595	15,204
July 1, 2009, as restated	<u>\$ 6,174,701</u>	<u>\$ -0-</u>	<u>\$ 1,962,732</u>	<u>\$ 3,265,900</u>	<u>\$ 11,403,333</u>
Increase (Decrease) in reserve for inventory	<u>\$ (11,200)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,163</u>	<u>\$ (4,037)</u>
Residual equity transfer	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 960,815</u>	<u>\$ (960,815)</u>	<u>\$ -0-</u>
Fund balance - ending	<u><u>\$ 7,403,923</u></u>	<u><u>\$ 1,345,540</u></u>	<u><u>\$ 3,043,997</u></u>	<u><u>\$ 2,873,385</u></u>	<u><u>\$ 14,666,845</u></u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statements of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2010

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 3,267,549
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 life of the assets. Capital assets purchased amounted to \$3,156,633 and the depreciation expense amounted to \$2,453,525.	703,108
2. Governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Bond issuance costs	22,799
Amortization of bond issuance costs	(26,682)
Amortization of bond premium	143,405
Amortization of advanced refunding difference	(76,022)
3. The repayment of the principal on long-term and short-term debt consumes current financial resources of governmental funds but has no effect on net assets.	6,699,346
4. The issuance of long-term and short-term debt provides current financial resources to governmental funds but has no effect on net assets.	(6,920,480)
5. 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.	(13,236)
6. The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds but is reported as a reduction of net capital assets on the Statement of Activities, along with any gain or loss.	(5,978)
7. An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the Statement of Activities.	(4,037)
8. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	<u>(30,814)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>3,758,958</u></u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2010

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 13,662	\$ 2,318,370
Investments	154,737	-0-
Total Assets	\$ <u>168,399</u>	\$ <u>2,318,370</u>
Liabilities		
Accounts payable and accrued liabilities	\$ -0-	\$ 2,281,297
Due to component unit	3,400	-0-
Due to student clubs	-0-	37,073
Total Liabilities	\$ <u>3,400</u>	\$ <u>2,318,370</u>
Net Assets		
Reserved for endowments	\$ 125,000	
Held in trust	39,999	
Total Net Assets	\$ <u>164,999</u>	

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

TUPELO PUBLIC SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2010

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 11,541
Total Additions	\$ 11,541
Deductions	
Scholarships awarded	\$ 2,400
Other	576
Total Deductions	\$ 2,976
Change in Net Assets	\$ 8,565
Net Assets July 1, 2009	\$ 156,434
Net Assets June 30, 2010	\$ 164,999

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

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Tupelo since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Tupelo Public 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.

Discretely Presented Component Unit

The Tupelo School District Learning Foundation (Foundation) is incorporated in Mississippi as a non-profit organization exclusively for educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to receive and maintain a contribution of an apartment complex and related assets and receives primarily all of its income from rentals of the apartments. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

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.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

2. Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - Continued

Government-wide Financial Statements - 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.

BI 1999 Retirement Fund - This debt service fund accounts for general revenue bonds issued during the fiscal year ended June 30, 1999.

Qualified School Construction Bond Fund – This capital projects fund is used to account for proceeds from issuance of long-term debt and expenditures for construction and renovations of school buildings.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:

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

LD. Hancock Award Fund - This fund accounts for the monies set aside for annual awards to teachers.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

1. Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - Continued

Fund Financial Statements - continued

Bouchillou and Mickey Linder Scholarship Funds – These funds account for monies set aside for scholarships for students.

Harden/CREATE for NBC Fund - This fund accounts for monies set aside for teachers applying for National Board Certification.

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

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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.

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.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

1. Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting – Continued

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 authorities of the city 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.

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 maintained to account for commitments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are reported as reservations of fund balances.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

1. Summary of Significant Accounting Policies – Continued

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, as well as for its component units, are reported at fair market value.

2. Receivables and Payables

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

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

Other receivables are shown net of any applicable allowance for uncollectibles.

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.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

1. Summary of Significant Accounting Policies – Continued

F. Assets, Liabilities, and Net assets or Equity - Continued

4. Inventories and Prepaid Items - Continued

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, buildings, building improvements, improvements other than buildings, furniture and equipment that are used in operations that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental activities or component unit columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets 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-	N/A
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 6 for details.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

1. Summary of Significant Accounting Policies – Continued

F. Assets, Liabilities, and Net assets or Equity - Continued

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

In the government-wide and component unit 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 7 for details.

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

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

1. Summary of Significant Accounting Policies – Continued

F. Assets, Liabilities, and Net assets or Equity - Continued

9. Fund Equity – Continued

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 - designated for, reported in capital projects funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

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

2. Cash and Cash Equivalents and Investments

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

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

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

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

2. Cash and Cash Equivalents and Investments - Continued

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, discretely presented component unit and fiduciary funds was \$14,029,009, \$105,613 and \$2,332,032 respectively. The bank balance was \$19,216,670.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2010, none of the district's bank balance of \$19,216,670 was exposed to custodial credit risk.

Investments

As of June 30, 2010, the district had the following investments. All investments are in an external investment pool.

<u>Investment Type</u>	<u>Maturities In Years)</u>	<u>Fair Value</u>	<u>Rating</u>
Mississippi Education Investment Pool A	1 to 5	\$ 270,987	Unrated**
Mississippi Education Investment Pool B	Less than 1	178,409	Unrated**
Total Investments		\$ <u>449,396</u>	

** The investments in the Mississippi Education Investment Pool A and B are not SEC-registered, and there is no regulatory oversight for this Pool. The fair value of the position of the Pool is the same as the value of the respective Pool shares. The Mississippi Education Investment Pool A and B does not issue separate financial statements.

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2010, the district did not have any investments to which this would apply.

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

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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	Other governmental funds	\$ 1,194,918
Other governmental funds	Other governmental funds	59,804
Component Unit	Fiduciary Funds	3,400
Component Unit	General Fund	61,076
Total		\$ <u>1,319,198</u>

The purpose of the inter-fund loans was to cover federal funds not received prior to year-end.

B. Inter-fund Transfers

Transfer Out	Transfer In	Amount
General Fund	Other governmental funds	\$ 3,668,304
General Fund	Component unit	61,076
Other governmental funds	General Fund	1,207,481
Other governmental funds	Other governmental funds	<u>259,817</u>
Total		\$ <u>5,196,678</u>

The principal purpose of inter-fund transfers was to provide funds to pay for debt service payments or to provide funds for daily operations. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

4. Restricted Assets

The restricted assets represent the legally restricted cash and investment balances of the following funds which may not be used for purposes that support the district's programs.

Funds with Restricted Balances	Account	Amount
2008 Shortfall Note Retirement Fund	Cash	\$ 96,073
2009 Shortfall Note Retirement Fund	Cash	87,928
2005 Short Term Note Retirement Fund	Cash	135,252
2005 Short Term Note Retirement Fund	Investments	32,315
BI 1999 Retirement Fund	Cash	2,911,087
BI 1999 Retirement Fund	Investments	<u>71,649</u>
Total Restricted Assets		\$ <u>3,334,304</u>

5. Other Receivables – Component Unit

Other receivables for the component unit include amounts due from tenants under rental agreements. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

5. Other Receivables – Component Unit - Continued

Other receivables as of June 30, 2010 for the component unit including the applicable allowances are as follows:

Other Receivables:	
Due from tenants	\$ 146,259
Less: Allowance for uncollectible accounts	<u>(130,263)</u>
Total Other Receivables	<u>\$ 15,996</u>

6. Capital Assets

The following is a summary of changes in capital assets for governmental activities and the discretely presented component unit:

	Balance 7/1/2009	Additions	Retirements	Completed Construction	Adjustment	Balance 6/30/2010
Governmental Activities:						
<u>Non-depreciable capital assets</u>						
Land	\$ 3,922,182	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 3,922,182
Construction in progress	2,940,028	2,708,310	-0-	(2,814,427)	-0-	2,833,911
Total non-depreciable capital assets	<u>\$ 6,862,210</u>	<u>\$ 2,708,310</u>	<u>\$ -0-</u>	<u>\$ (2,814,427)</u>	<u>\$ -0-</u>	<u>\$ 6,756,093</u>
<u>Depreciable capital assets</u>						
Buildings	\$ 62,348,837	\$ -0-	\$ -0-	\$ 2,814,427	\$ -0-	\$ 65,163,264
Building improvements	12,783,855	-0-	-0-	-0-	-0-	12,783,855
Improvements other than buildings	1,869,442	-0-	-0-	-0-	-0-	1,869,442
Mobile equipment	4,425,752	20,004	46,868	-0-	-0-	4,398,888
Furniture and equipment	3,385,844	428,319	129,262	-0-	5,734	3,690,635
Total depreciable capital assets	<u>\$ 84,813,730</u>	<u>\$ 448,323</u>	<u>\$ 176,130</u>	<u>\$ 2,814,427</u>	<u>\$ 5,734</u>	<u>\$ 87,906,084</u>
<u>Less accumulated depreciation for:</u>						
Buildings	\$ 16,639,105	\$ 1,206,411	\$ -0-	\$ -0-	\$ -0-	\$ 17,845,516
Building improvements	2,952,048	511,354	-0-	-0-	-0-	3,463,402
Improvements other than buildings	792,017	64,681	-0-	-0-	-0-	856,698
Mobile equipment	2,779,269	235,636	42,182	-0-	-0-	2,972,723
Furniture and equipment	2,533,921	435,443	127,970	-0-	5,677	2,847,071
Total accumulated depreciation	<u>\$ 25,696,360</u>	<u>\$ 2,453,525</u>	<u>\$ 170,152</u>	<u>\$ -0-</u>	<u>\$ 5,677</u>	<u>\$ 27,985,410</u>
Total depreciable capital assets, net	<u>\$ 59,117,370</u>	<u>\$ (2,005,202)</u>	<u>\$ 5,978</u>	<u>\$ 2,814,427</u>	<u>\$ 57</u>	<u>\$ 59,920,674</u>
Governmental activities capital assets, net	<u>\$ 65,979,580</u>	<u>\$ 703,108</u>	<u>\$ 5,978</u>	<u>\$ -0-</u>	<u>\$ 57</u>	<u>\$ 66,676,767</u>

An adjustment was made to record an asset and related accumulated depreciation not previously recorded.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

6. Capital Assets - Continued

The following is a summary of changes in the capital assets for the discretely presented component unit:

	Balance 7/1/2009	Additions	Retirements	Balance 6/30/2010
<u>Non-depreciable capital assets</u>				
Land	\$ 200,000	\$ -0-	\$ -0-	\$ 200,000
Total non-depreciable capital assets	\$ 200,000	\$ -0-	\$ -0-	\$ 200,000
<u>Depreciable capital assets</u>				
Buildings	\$ 3,210,000	\$ -0-	\$ -0-	\$ 3,210,000
Furniture and equipment	28,843	-0-	-0-	28,843
Total depreciable capital assets	\$ 3,238,843	\$ -0-	\$ -0-	\$ 3,238,843
<u>Less accumulated depreciation for:</u>				
Buildings	\$ 1,908,167	\$ 107,000	\$ -0-	\$ 2,015,167
Furniture and equipment	28,843	-0-	-0-	28,843
Total accumulated depreciation	\$ 1,937,010	\$ 107,000	\$ -0-	\$ 2,044,010
Total depreciable capital assets, net	\$ 1,301,833	\$ (107,000)	\$ -0-	\$ 1,194,833
Discretely presented component unit capital assets, net	\$ 1,501,833	\$ (107,000)	\$ -0-	\$ 1,394,833

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 261,015
Support services	2,190,580
Non-instructional	1,930
Total governmental activities depreciation expense	\$ 2,453,525
Component unit:	
Learning foundation	\$ 107,000
Total component unit depreciation expense	\$ 107,000

The capital assets above include significant amounts of buildings and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

6. Capital Assets - Continued

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

	Spent to June 30, 2010	Remaining Commitment
Lawhon renovations	\$ 76,825	\$ 1,274
Carver renovations	655,334	9,804
Church St. renovations	48,221	299,905
Rankin renovations	42,626	227,295
Tupelo High renovations	1,817,463	852,987
Maintenance Facility	193,442	70,901
	<u>\$ 2,833,911</u>	<u>\$ 1,462,166</u>

Construction projects included in governmental activities are funded with a short-term notes payable and qualified school construction bonds.

7. 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	Deductions	Balance 6/30/2010	Amounts due within one year
A. General obligation bonds payable	\$ 21,790,000	\$ -0-	\$ 3,180,000	\$ 18,610,000	\$ 3,035,000
Deferred amount on refunding	(632,729)	-0-	(76,022)	(556,707)	-0-
Unamortized premiums	907,086	-0-	143,405	763,681	-0-
B. Limited obligation notes payable	5,500,000	-0-	535,000	4,965,000	635,000
C. Three mill notes payable	-0-	475,000	475,000	-0-	-0-
D. Shortfall note payable	232,290	243,012	73,533	401,769	155,150
E. Obligations under capital lease	-0-	1,202,468	329,762	872,706	272,677
F. Obligations under energy efficiency lease	895,027	-0-	106,051	788,976	110,290
G. Qualified school construction bonds payable	-0-	3,000,000	-0-	3,000,000	-0-
H. Compensated absences	578,840	30,814	-0-	609,654	-0-
Total	<u>\$ 29,270,514</u>	<u>\$ 4,951,294</u>	<u>\$ 4,766,729</u>	<u>\$ 29,455,079</u>	<u>\$ 4,208,117</u>

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

7. Long-term Liabilities - Continued

A. General Obligation Bonds Payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	3.4-4.6%	12/1/1998	9/1/2016	\$ 6,160,000	\$ 2,805,000
General obligation refunding bonds, Series 2005	3.0-5.0%	5/1/2005	11/1/2015	<u>18,750,000</u>	<u>15,805,000</u>
Total				\$ <u>24,910,000</u>	\$ <u>18,610,000</u>

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

1. General obligation bond issue of 12/1/1998:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 580,000	\$ 107,963	\$ 687,963
2012	615,000	83,012	698,012
2013	425,000	61,066	486,066
2014	360,000	44,295	404,295
2015	375,000	28,305	403,305
2016-2017	<u>450,000</u>	<u>12,727</u>	<u>462,727</u>
Total	\$ <u>2,805,000</u>	\$ <u>337,368</u>	\$ <u>3,142,368</u>

This debt will be retired from the L/P 1999 Retirement Fund.

2. General obligation bond issue of 5/1/2005:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 2,455,000	\$ 716,600	\$ 3,171,600
2012	2,570,000	603,250	3,173,250
2013	2,590,000	474,250	3,064,250
2014	2,710,000	341,750	3,051,750
2015	2,730,000	205,750	2,935,750
2016	<u>2,750,000</u>	<u>68,750</u>	<u>2,818,750</u>
Total	\$ <u>15,805,000</u>	\$ <u>2,410,350</u>	\$ <u>18,215,350</u>

This debt will be retired from the BI 1999 Retirement Fund.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

7. Long-term Liabilities - Continued

A. General Obligation Bonds Payable - Continued

Total general obligation bond payments for all issues:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 3,035,000	\$ 824,562	\$ 3,859,562
2012	3,185,000	686,263	3,871,263
2013	3,015,000	535,316	3,550,316
2014	3,070,000	386,045	3,456,045
2015	3,105,000	234,055	3,339,055
2016	3,200,000	81,477	3,281,477
Total	\$ 18,610,000	\$ 2,747,718	\$ 21,357,718

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2010, the amount of outstanding bonded indebtedness was equal to 3.62% of property assessments as of October 1, 2009.

B. Limited Obligation Notes Payable

The limited obligation notes are a direct obligation and pledges the full faith and credit of the school district. The limited obligation notes currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited obligation notes, Series 2004	3.0-4.1%	8/26/2004	6/1/2017	\$ 7,320,000	\$ 4,965,000

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 635,000	\$ 188,378	\$ 823,378
2012	660,000	166,153	826,153
2013	680,000	143,052	823,052
2014	705,000	118,232	823,232
2015	735,000	91,795	826,795
2016-2017	1,550,000	94,390	1,644,390
Total	\$ 4,965,000	\$ 802,000	\$ 5,767,000

This debt will be retired from the STN 2005 Retirement fund.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

7. Long-term Liabilities - Continued

C. Three Mill Notes Payable

This debt was retired from the 2009 Retirement Fund.

D. Shortfall Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note – 2008	5.25%	10/1/2008	10/1/2011	\$ 232,290	\$ 158,757
Shortfall note – 2009	4.08%	9/1/2009	9/1/2012	<u>243,012</u>	<u>243,012</u>
Total				\$ <u>475,302</u>	\$ <u>401,769</u>

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

1. Shortfall notes payable issue of October 1, 2008:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 77,363	\$ 8,271	\$ 85,634
2012	<u>81,394</u>	<u>4,241</u>	<u>85,635</u>
Total	\$ <u>158,757</u>	\$ <u>12,512</u>	\$ <u>171,269</u>

This debt will be retired from the 2008 Shortfall Note Retirement Fund.

2. Shortfall notes payable issue of September 1, 2009:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 77,787	\$ 9,915	\$ 87,702
2012	80,961	6,741	87,702
2013	<u>84,264</u>	<u>3,438</u>	<u>87,702</u>
Total	\$ <u>243,012</u>	\$ <u>20,094</u>	\$ <u>263,106</u>

This debt will be retired from the 2009 Shortfall Note Retirement Fund.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

7. Long-term Liabilities – Continued

D. Shortfall Notes Payable - Continued

Total shortfall notes payable payments for all issues:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 155,150	\$ 18,186	\$ 173,336
2012	162,355	10,982	173,337
2013	84,264	3,438	87,702
Total	\$ 401,769	\$ 32,606	\$ 434,375

E. Obligations under Capital Leases

The school district has entered into a lease agreement as lessee for financing the acquisition of computers at a cost of \$1,202,468 with a down payment of \$329,762. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under capital lease	6.54%	2/10/2010	2/10/2013	\$ 1,202,468	\$ 872,706

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

Year Ending June 30,	Principal	Interest and Maintenance Charges	Total
2011	\$ 272,677	\$ 57,086	\$ 329,763
2012	290,513	39,249	329,762
2013	309,516	20,246	329,762
Total	\$ 872,706	\$ 116,581	\$ 989,287

This debt will be retired from the Apple Lease Payable Retirement Fund.

F. Obligations under Energy Efficiency Leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy Efficiency Lease	3.92%	1/23/2006	12/23/2016	\$ 1,116,762	\$ 788,976

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

7. Long-term Liabilities – Continued

F. Obligations under Energy Efficiency Leases - Continued

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

Year Ending June 30,	Principal	Interest and Maintenance Charges	Total
2011	\$ 110,290	\$ 29,003	\$ 139,293
2012	114,699	24,595	139,294
2013	119,284	20,010	139,294
2014	124,052	15,242	139,294
2015	129,010	10,283	139,293
2016-2017	191,641	5,692	197,333
Total	\$ 788,976	\$ 104,825	\$ 893,801

This debt will be retired from the Lease Purchase 2006 Performance Contract Fund.

An energy efficiency lease agreement dated January 23, 2006, was executed by and between the district, the lessee, and SunTrust Leasing Corporation, the lessor.

The agreement authorized the borrowing of \$1,116,762 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

G. Qualified School Construction Bonds Payable

As more fully explained in Note 15, 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
Qualified school construction bonds payable	0.84%	1/14/2010	9/15/2024	\$ 3,000,000	\$ 3,000,000

H. Compensated Absences Payable

As more fully explained in Note 1(F)(6), 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.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

8. Prior Year Defeasance of Debt

In prior years, the Tupelo School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2010, \$17,960,000 of bonds outstanding are defeased.

9. Short-Term Financing

During the fiscal year ended June 30, 2010, the school district participated in the following short-term financing to provide money for school purposes in anticipation of the collection of taxes and other revenues:

A. Bank-Financed Short Term Debt

The school district issued a revenue anticipation note payable to BancorpSouth Bank and the proceeds from such issuance were accounted for as a current liability in the general fund of the school district. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2010 are as follows:

	Balance 7/1/2009	Additions	Deductions	Balance 6/30/2010
Revenue anticipation note	\$ <u>-0-</u>	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>	\$ <u>-0-</u>

10. Other Commitments

Commitments under construction contracts are described in Note 6.

Operating Leases:

The school district has several operating leases for the following:

1. Copiers

Lease expenditures for the year ended June 30, 2010, amounted to \$195,727.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

10. Other Commitments - Continued

Future lease payments for these leases are as follows:

Year Ending June 30,	Amount
2011	\$ 65,572
2012	30,477
2013	7,471
2014	452
Total	\$ 103,972

11. 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 \$4,755,202, \$4,655,698 and \$4,555,904, respectively, which equaled the required contributions for each year.

12. Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Correction of prior period expenses	\$ 15,262

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

12. Prior Period Adjustments - Continued

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

Funds	Explanation	Amount
General Fund	Correction of prior period expenses	\$ (19,391)
Other Governmental Funds - Voc Ed Basic Fund	Correction of prior period revenues	<u>34,595</u>
		\$ <u>15,204</u>

13. Contingencies

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

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

14. 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 Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district's 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 the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up 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 pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

15. 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. There was a zero balance on deposit at June 30, 2010. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt.

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

Year Ending June 30	Amount
2011	\$ 125,000
2012	145,000
2013	145,000
2014	145,000
2015	145,000
2016-2025	<u>2,295,000</u>
Total	\$ <u>3,000,000</u>

16. Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 14, 1990 creating the Lee/Tupelo Vocational Technical Education Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Lee County School District and the Tupelo Public School District.

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 Tupelo Public School District has been designated as the fiscal agent for the Lee/Tupelo Vocational Technical Education Center, and the operations of the consortium are included in its financial statements.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

16. Vocational School Consortium - Continued

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Lee/Tupelo Vocational Technical Education Center.

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

Revenues:

Local sources:	
Tuition from other LEA within the state:	
Lee Country School District	\$ 34,219
Total tuition from other LEA within the state	\$ 34,219
Ad Valorem	207,320
Total local sources	\$ 241,539
State sources	\$ 1,234,339
Federal sources	\$ 64,732
Total Revenues	\$ 1,540,610

Expenditures:

Salaries	\$ 1,181,113
Employee benefits	341,836
Purchased property services	1,045
Other purchased services	302
Supplies	116,563
Property	269,150
Total Expenditures	\$ 1,910,009

Excess (Deficiency) of Revenues over (under) Expenditures	\$ (369,399)
--	--------------

Other Financing Sources:

Operating transfers in	\$ 334,804
Total Other Financing Sources	\$ 334,804

Net Change in Fund Balances	\$ (34,595)
-----------------------------	-------------

Fund Balances:

July 1, 2009, as originally reported	\$ -0-
Prior period adjustments	34,595
July 1, 2009, as restated	\$ 34,595
Fund balance - ending	\$ -0-

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

17. Insurance Loss Recoveries

The Tupelo School District received \$5,122 in insurance loss recoveries related to fence repairs and automobile damage during the 2009-2010 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expenditure function.

18. Special Items

The special item reported as of June 30, 2010 represents a refund due to the State for an over-request of funds during fiscal year 2009.

19. 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 Tupelo Public School District evaluated the activity of the district through March 30, 2012, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

Subsequent to June 30, 2010, the District issued a revenue shortfall note to a financial institution in the amount of \$258,568 with an interest rate of 2.46%. The note matures October 5, 2013. The District's first annual principal and interest payment in the amount of \$90,361 is due October 5, 2011.

Subsequent to June 30, 2010, the District entered into a lease agreement as lessee for financing the acquisition of computers at a cost of \$3,293,288 with a down payment of \$823,322.

Subsequent to June 30, 2010, the District issued a three mill note payable in the amount of \$2,275,000 with an interest rate of 3.04%. The note matures September 1, 2020. The District's first annual principal and interest payment in the amount of \$224,595 is due September 1, 2011.

REQUIRED SUPPLEMENTAL INFORMATION

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TUPELO PUBLIC SCHOOL DISTRICT
Budgetary Comparison Schedule
General 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:					
Local sources	\$ 25,863,746	\$ 26,520,503	\$ 26,520,503	\$ 656,757	\$ -0-
State sources	30,994,390	28,383,335	28,383,335	(2,611,055)	-0-
Federal sources	376,277	672,685	672,685	296,408	-0-
Total Revenues	<u>\$ 57,234,413</u>	<u>\$ 55,576,523</u>	<u>\$ 55,576,523</u>	<u>\$ (1,657,890)</u>	<u>\$ -0-</u>
Expenditures:					
Instruction	\$ 35,111,518	\$ 34,573,655	\$ 34,573,655	\$ 537,863	\$ -0-
Support services	20,732,127	18,580,447	18,569,247	2,151,680	11,200
Noninstructional services	-0-	75	75	(75)	-0-
Debt service:	-0-	-0-	-0-	-0-	-0-
Interest	-0-	4,238	4,238	(4,238)	-0-
Total Expenditures	<u>\$ 55,843,645</u>	<u>\$ 53,158,415</u>	<u>\$ 53,147,215</u>	<u>\$ 2,685,230</u>	<u>\$ 11,200</u>
Excess (Deficiency) of Revenues					
over (under) Expenditures	<u>\$ 1,390,768</u>	<u>\$ 2,418,108</u>	<u>\$ 2,429,308</u>	<u>\$ 1,027,340</u>	<u>\$ 11,200</u>
Other Financing Sources (Uses):					
Proceeds of loans	\$ -0-	\$ 133,299	\$ 133,299	\$ 133,299	\$ -0-
Inception of capital leases	-0-	1,202,468	1,202,468	1,202,468	-0-
Insurance loss recoveries	-0-	5,122	5,122	5,122	-0-
Operating transfers in	1,976,310	1,207,480	1,207,480	(768,830)	-0-
Operating transfers out	(4,340,731)	(3,668,304)	(3,729,380)	672,427	(61,076)
Other financing uses	-0-	(7,875)	(7,875)	(7,875)	-0-
Total Other Financing Sources (Uses)	<u>\$ (2,364,421)</u>	<u>\$ (1,127,810)</u>	<u>\$ (1,188,886)</u>	<u>\$ 1,236,611</u>	<u>\$ (61,076)</u>
Net Change in Fund Balances	<u>\$ (973,653)</u>	<u>\$ 1,290,298</u>	<u>\$ 1,240,422</u>	<u>\$ 2,263,951</u>	<u>\$ (49,876)</u>
Fund Balances:					
July 1, 2009, as originally reported	\$ 6,194,092	\$ 6,194,092	\$ 6,194,092	\$ -0-	\$ -0-
Prior period adjustments	-0-	(19,391)	(19,391)	(19,391)	-0-
July 1, 2009, as restated	<u>\$ 6,194,092</u>	<u>\$ 6,174,701</u>	<u>\$ 6,174,701</u>	<u>\$ (19,391)</u>	<u>\$ -0-</u>
Decrease in reserve for inventory	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (11,200)</u>	<u>\$ -0-</u>	<u>\$ (11,200)</u>
June 30, 2010	<u>\$ 5,220,439</u>	<u>\$ 7,464,999</u>	<u>\$ 7,403,923</u>	<u>\$ 2,244,560</u>	<u>\$ (61,076)</u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2010

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

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TUPELO PUBLIC 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 No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 681,042
National school lunch program	10.555	1,841,259
Summer food service program for children	10.559	111,347
Total child nutrition cluster		\$ 2,633,648
Total passed-through Mississippi Department of Education		\$ 2,633,648
Total U.S. Department of Agriculture		\$ 2,633,648
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	\$ 221,275
Total Federal Communications Commission		\$ 221,275
<u>National Aeronautics and Space Administration</u>		
Passed-through University of Mississippi:		
Aerospace education services program	43.001	\$ 2,500
Total National Aeronautics and Space Administration		\$ 2,500
<u>National Science Foundation</u>		
Direct programs:		
Education and human resources	47.076	\$ 16,211
Total National Science Foundation		\$ 16,211
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	\$ 64,732
Safe and drug-free schools and communities- national programs	84.184	
Safe and drug-free schools and communities- state grants	84.186	17,045
Education for homeless children and youth	84.196	38,110
Fund for the improvement of education	84.215	3,833
Twenty-first century community learning centers	84.287	139,083
State grants for innovative programs	84.298	2,121
Education technology state grants	84.318	9,640
Special education - state personnel development	84.323	18,956
English language acquisition grants	84.365	72,836
Improving teacher quality - state grants	84.367	347,960
ARRA - Education for homeless children and youth	84.387	19,652
ARRA - State fiscal stabilization fund - education state grants	84.394	2,132,412
Subtotal		\$ 2,866,380

TUPELO PUBLIC 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 No.	Federal Expenditures
<u>U.S. Department of Education- Continued</u>		
Passed-through Mississippi Department of Education: continued		
Title I part a cluster:		
Title I grants to local educational agencies	84.010	\$ 1,535,856
ARRA - Title I grants to local educational agencies	84.389	903,879
Total Title I part a cluster:		<u>\$ 2,439,735</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 1,707,271
Special education - preschool grants	84.173	74,112
ARRA - Special education - grants to states	84.391	482,661
ARRA - Special education - preschool grants	84.392	81,394
Total Special Education cluster		<u>\$ 2,345,438</u>
Total passed-through Mississippi Department of Education		<u>\$ 7,651,553</u>
Total U.S. Department of Education		<u>\$ 7,651,553</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	\$ 113,088
Total passed-through Mississippi Department of Education		<u>\$ 113,088</u>
Total U.S. Department of Health and Human Services		<u>\$ 113,088</u>
<u>Corporation for National and Community Service</u>		
Passed-through the Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	\$ 21,663
Total passed-through Mississippi Department of Education		<u>\$ 21,663</u>
Total Corporation for National and Community Service		<u>\$ 21,663</u>
Total for All Federal Awards		<u><u>\$ 10,659,938</u></u>

NOTES TO SCHEDULE

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

TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND
OTHER EXPENDITURES – GOVERNMENTAL FUNDS
For 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	\$ 53,321,769	\$ 43,514,642	\$ 1,545,907	\$ 3,003,075	\$ 5,258,145
Other	22,453,767	6,662,968	494,612	99,607	15,196,580
Total	<u>\$ 75,775,536</u>	<u>\$ 50,177,610</u>	<u>\$ 2,040,519</u>	<u>\$ 3,102,682</u>	<u>\$ 20,454,725</u>
Total number of students*	<u>6,736</u>				
Cost per student	<u>\$ 11,249</u>	<u>\$ 7,449</u>	<u>\$ 303</u>	<u>\$ 461</u>	<u>\$ 3,036</u>

NOTES TO SCHEDULE

1. 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.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.

* Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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OTHER SUPPLEMENTAL INFORMATION

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TUPELO PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	2010	2009*	2008*	2007*
Revenues:				
Local sources	\$ 26,520,503	\$ 25,875,825	\$ 23,603,756	\$ 23,245,185
State sources	28,383,335	31,015,105	31,296,765	29,152,298
Federal sources	672,685	884,271	549,831	972,315
Total Revenues	\$ <u>55,576,523</u>	\$ <u>57,775,201</u>	\$ <u>55,450,352</u>	\$ <u>53,369,798</u>
Expenditures:				
Instruction	\$ 34,573,655	\$ 36,144,594	\$ 34,511,485	\$ 32,429,910
Support services	18,569,247	19,103,046	19,018,194	17,841,054
Noninstructional services	75	-0-	-0-	1,289
Facilities acquisition and construction	-0-	-0-	-0-	28,408
Debt service:				
Interest	4,238	-0-	-0-	-0-
Other	-0-	6,447	-0-	-0-
Total Expenditures	\$ <u>53,147,215</u>	\$ <u>55,254,087</u>	\$ <u>53,529,679</u>	\$ <u>50,300,661</u>
Excess (Deficiency) of Revenues over (under) Expenditures	\$ <u>2,429,308</u>	\$ <u>2,521,114</u>	\$ <u>1,920,673</u>	\$ <u>3,069,137</u>
Other Financing Sources (Uses):				
Proceeds of loans	\$ 133,299	\$ 232,290	\$ -0-	\$ -0-
Inception of capital leases	1,202,468	-0-	-0-	-0-
Insurance loss recoveries	5,122	1,214	7,896	15,246
Sale of transportation equipment	-0-	5,886	6,500	1,452
Sale of other property	-0-	-0-	4,356	4,609
Operating transfers in	1,207,480	102,957	911,445	1,135,844
Operating transfers out	(3,729,380)	(3,017,740)	(3,199,066)	(4,087,965)
Other financing uses	(7,875)	(157,504)	-0-	-0-
Total Other Financing Sources (Uses)	\$ <u>(1,188,886)</u>	\$ <u>(2,832,897)</u>	\$ <u>(2,268,869)</u>	\$ <u>(2,930,814)</u>
Net Change in Fund Balances	\$ <u>1,240,422</u>	\$ <u>(311,783)</u>	\$ <u>(348,196)</u>	\$ <u>138,323</u>
Fund Balances:				
Beginning of period, as originally reported	\$ 6,194,092	\$ 6,500,097	\$ 6,826,685	\$ 6,704,329
Prior period adjustments	(19,391)	(6,524)	(1,324)	(21,382)
Beginning of period, as restated	\$ <u>6,174,701</u>	\$ <u>6,493,573</u>	\$ <u>6,825,361</u>	\$ <u>6,682,947</u>
Increase (Decrease) in reserve for inventory	\$ <u>(11,200)</u>	\$ <u>12,302</u>	\$ <u>22,932</u>	\$ <u>5,415</u>
End of Period	\$ <u><u>7,403,923</u></u>	\$ <u><u>6,194,092</u></u>	\$ <u><u>6,500,097</u></u>	\$ <u><u>6,826,685</u></u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

TUPELO PUBLIC 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	\$ 33,076,418	\$ 32,380,696	\$ 30,315,742	\$ 29,852,617
State sources	30,085,130	33,218,345	33,228,037	30,678,569
Federal sources	11,033,701	7,925,597	7,480,322	6,986,650
Total Revenues	<u>\$ 74,195,249</u>	<u>\$ 73,524,638</u>	<u>\$ 71,024,101</u>	<u>\$ 67,517,836</u>
Expenditures:				
Instruction	\$ 42,772,384	\$ 41,595,928	\$ 39,873,627	\$ 36,881,125
Support services	21,012,480	21,354,264	21,591,584	19,932,909
Noninstructional services	3,341,955	3,490,960	3,323,620	3,174,673
Facilities acquisition and construction	2,708,310	5,488,244	2,601,116	1,337,374
Debt service:				
Principal	4,699,346	4,401,975	4,188,056	3,911,704
Interest	1,211,873	1,361,785	1,525,937	1,706,082
Other	29,188	21,275	11,175	11,179
Total Expenditures	<u>\$ 75,775,536</u>	<u>\$ 77,714,431</u>	<u>\$ 73,115,115</u>	<u>\$ 66,955,046</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ (1,580,287)</u>	<u>\$ (4,189,793)</u>	<u>\$ (2,091,014)</u>	<u>\$ 562,790</u>
Other Financing Sources (Uses):				
Premiums on issuance of debt	\$ -0-	\$ 232,290	\$ -0-	\$ -0-
Proceeds of school construction bonds	3,000,000	-0-	-0-	-0-
Proceeds of loans	718,012	-0-	-0-	-0-
Inception of capital leases	1,202,468	-0-	-0-	-0-
Insurance loss recoveries	5,122	1,214	7,896	15,246
Sale of transportation equipment	-0-	5,886	6,500	1,452
Sale of other property	-0-	-0-	4,356	4,609
Operating transfers in	5,135,602	4,089,952	4,346,444	4,536,632
Other financing sources	-0-	-0-	-0-	814
Operating transfers out	(5,196,678)	(4,089,952)	(4,335,156)	(4,536,632)
Other financing uses	(14,573)	(1,053,490)	-0-	(4,475)
Total Other Financing Sources (Uses)	<u>\$ 4,849,953</u>	<u>\$ (814,100)</u>	<u>\$ 30,040</u>	<u>\$ 17,646</u>
Special items	<u>\$ (2,117)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Net Change in Fund Balances	<u>\$ 3,267,549</u>	<u>\$ (5,003,893)</u>	<u>\$ (2,060,974)</u>	<u>\$ 580,436</u>
Fund Balances:				
Beginning of period, as originally reported	\$ 11,388,129	\$ 16,398,646	\$ 18,451,705	\$ 17,878,866
Prior period adjustments	15,204	(6,524)	(1,324)	(21,382)
Beginning of period, as restated	<u>\$ 11,403,333</u>	<u>\$ 16,392,122</u>	<u>\$ 18,450,381</u>	<u>\$ 17,857,484</u>
Increase (Decrease) in reserve for inventory	<u>\$ (4,037)</u>	<u>\$ (100)</u>	<u>\$ 9,239</u>	<u>\$ 13,785</u>
End of Period	<u>\$ 14,666,845</u>	<u>\$ 11,388,129</u>	<u>\$ 16,398,646</u>	<u>\$ 18,451,705</u>

***SOURCE - PRIOR YEAR AUDIT REPORTS**

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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M. M. WINKLER & ASSOCIATES

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

Superintendent and School Board
Tupelo Public School District

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Tupelo Public School District as of and for the year ended June 30, 2010, which collectively comprise Tupelo Public School District's basic financial statements and have issued our report thereon dated March 30, 2012. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2010-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany Schedule of Findings and Questioned Costs as 2010-2 to be a significant deficiency.

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

- 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*.

Tupelo Public School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Tupelo Public School District's responses and, accordingly, we express no opinion on them.

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

March 30, 2012

M. M. WINKLER & ASSOCIATES

Certified Public Accountants

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INDEPENDENT AUDITOR'S 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
Tupelo Public School District

Compliance

We have audited the compliance of the Tupelo Public 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 Tupelo Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

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

Internal Control Over Compliance

The management of the Tupelo Public 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 Tupelo Public School District's internal control over compliance with the 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 AUDITOR'S 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**

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

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

M. M. Winkler & Associates

March 30, 2012

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

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M. M. WINKLER & ASSOCIATES

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

Superintendent and School Board
Tupelo Public School District

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2010, which collectively comprise Tupelo Public School District's basic financial statements and have issued our report thereon dated March 30, 2012. 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 \$3,665 of classroom supply funds carried over from previous years.

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

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

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

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

**INDEPENDENT AUDITOR'S 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

March 30, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended June 30, 2010

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Noncompliance material to financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | Yes |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? | Yes |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's 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 weakness(es)? | 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: | |
| a. | Cluster: Child Nutrition
CFDA #: 10.553; CFDA#: 10.555; CFDA#: 10.559 | |
| b. | Cluster: Title I, Part A Cluster
CFDA#: 84.010; CFDA#: 84.389 | |
| c. | Cluster: Special Education
CFDA#: 84.027; CFDA#: 84.173; CFDA#: 84.391
CFDA#: 84.392 | |
| d. | Improving Teacher Quality
CFDA#: 84.367 | |
| f. | State Fiscal Stabilization Fund – Educational State Grants
CFDA #: 84.394 | |

- Continued -

TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended June 30, 2010

Section I: Summary of Auditor's Results - Continued

- | | | |
|-----|---|------------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 319,798 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit findings 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 II: Financial Statement Findings

2010-1 (*Significant Deficiency, Material Weakness*)

Condition: The number and amount of rents receivable for the District's component unit increased significantly over the prior year.

Criteria: Management is responsible for establishing a proper internal control system to prevent and detect a misappropriation of assets and/or misstatements that could have a material effect on the financial statements.

Cause of Condition: A breakdown in collection and follow-up procedures resulting from ineffective controls over the timely preparation and review of an aged trial balance of accounts receivable.

Effect of Condition: Ineffective controls over the preparation and monitoring of an aged trial balance of rents receivable resulted in the District having to record an allowance of a material amount for estimated uncollectible rents receivable.

Recommendation: We recommend the District establish adequate controls and procedures to ensure accountability for the rents receivable of the component unit.

Response:

The prior year's receivables were based on reports provided to the finance office by the apartment manager. During the 2010-2011 school year before the books were closed for the 2009-2010 school year, a discovery was made by the finance director that revenue reports presented to the Component Unit Board by the apartment manager were significantly different from the amounts given to the Finance Office by the bookkeeper for the apartments. This discovery led to further investigation and resulted in the dismissal of the apartment manager and an almost immediate job abandonment of the bookkeeper.

An internal review of the accounting records revealed a lack of adequate accounting of the amount due from apartment residents. A determination of the receivables on June 30, 2010 was calculated from the available records that could be found.

A locally owned, well respected reality company was employed by the Board to oversee the repair and operation of the apartment complex. Monthly reports are now received on the operation of the complex. The information provided allows the finance office to record the necessary data in the district's records.

TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended June 30, 2010

Section II: Financial Statement Findings – Continued

2010-2 (*Significant Deficiency*)

Condition: Testing of cash disbursements revealed instances in which changes to purchase order amounts were not approved.

Criteria: Management is responsible for establishing a proper internal control system to ensure only authorized purchases are made.

Cause of Condition: The District's existing procedures for making changes to purchase orders are not being followed.

Effect of Condition: Ineffective controls over changes to the dollar amount of purchase orders increases the risk of unauthorized purchases.

Recommendation: We recommend that the District establish controls and procedures for proper approval of changes to purchase orders.

Response:

The district will assure that the purchasing agents initial all changes to purchase orders. Our software has been updated in April 2012, and now allows us to print a report to view all changes made to the purchase orders. This report will be printed each week and viewed to assure that the purchase orders are changed by bonded purchasing agents. The district also limits the number of bonded purchasing agents as an internal control over the purchasing of the district. There are only three bonded purchasing agents for district purchasing and due to the immediate needs for items to feed the students, there is one bonded purchasing agent for food service.

In addition, the purchasing agent is not to receive any goods nor sign any invoices for payment. Invoices are signed by the person having knowledge of the receipt of the goods or services by the sites.

Section III: Federal Award Findings and Questioned Costs

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

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