

TUPELO PUBLIC SCHOOL DISTRICT

Audited Financial Statements

For the Year Ended June 30, 2011

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

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M. M. WINKLER & ASSOCIATES, PLLC

Certified Public Accountants

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

**INDEPENDENT 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, 2011, 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 consideration of internal over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously 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, 2011, 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 October 26, 2012, on our consideration of the Tupelo Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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

- Continued -

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, 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 do not express an opinion or provide any assurance on it.

M. M. Winkler & Associates, PLLC

October 26, 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, 2011

The following discussion and analysis of Tupelo Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$5,580,720, including a prior period adjustment of (\$6,644), which represents a 10% increase from fiscal year 2010. 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.
- General revenues amounted to \$62,037,675 and \$61,746,097, or 81% and 83% of all revenues for fiscal years 2011 and 2010 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,536,451 or 19% of total revenues for 2011, and \$12,988,421 or 17% of total revenues for 2010.
- The District had \$70,986,762 and \$71,071,482 in expenses for fiscal years 2011 and 2010; only \$14,536,451 for 2011 and \$12,988,421 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$62,037,675 for 2011 and \$61,746,097 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$57,367,996 in revenues and \$54,103,522 in expenditures for 2011 and \$55,576,523 in revenues and \$53,147,215 in expenditures for 2010. The General Fund's fund balance increased by \$2,168,013, including a prior period adjustment of (\$6,699) and a increase in reserve for inventory of \$32,522, from 2010 to 2011, and increased by \$1,209,831 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$2,847,638 for 2011 and by \$590,187 for 2010.
- Long-term debt increased by \$683,788 for 2011 and increased by \$184,565 for 2010. This increase for 2011 was due primarily to the issuance of three mill notes payable in the amount \$2,275,000, shortfall notes payable in the amount of \$258,568, and obligations under capital lease in the amount of \$3,293,288. The liability for compensated absences decreased \$44,245 for 2011 and increased \$30,814 for 2010.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2011

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 periods.

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

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

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

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

**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2011

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$58,926,944 as of June 30, 2011.

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.

**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2011

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

**Table 1
Condensed Statement of Net Assets**

	<u>Governmental Activities</u>		<u>Percentage Change</u>	<u>Component Unit</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
Current assets	\$ 14,927,567	\$ 13,621,716	9.59%	\$ 146,196	\$ 216,417	-32.45%
Restricted assets	4,050,214	3,334,304	21.47%	-	-	-
Capital assets, net	69,631,405	66,676,767	4.43%	1,287,833	1,394,833	-7.67%
Total Assets	<u>\$ 88,609,186</u>	<u>\$ 83,632,787</u>	5.95%	<u>\$ 1,434,029</u>	<u>\$ 1,611,250</u>	-11.00%
Current liabilities	\$ 890,014	\$ 2,347,834	-62.09%	\$ 87,390	\$ 94,900	-7.91%
Long-term debt outstanding	30,138,867	29,455,079	2.32%	-	-	-
Total Liabilities	<u>\$ 31,028,881</u>	<u>\$ 31,802,913</u>	-2.43%	<u>\$ 87,390</u>	<u>\$ 94,900</u>	-7.91%
Net assets:						
Invested in capital assets, net of related debt	\$ 40,563,133	\$ 38,399,438	5.63%	\$ 1,287,833	\$ 1,394,833	-7.67%
Restricted	8,515,830	7,037,936	21.00%	-	-	-
Unrestricted	8,501,342	6,392,500	32.99%	58,806	121,517	-51.61%
Total net assets	<u>\$ 57,580,305</u>	<u>\$ 51,829,874</u>	11.09%	<u>\$ 1,346,639</u>	<u>\$ 1,516,350</u>	-11.19%

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 \$2,847,638.
- The issuance of debt in the amount of \$5,826,856.
- The principal retirement of \$5,031,440 of debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$76,574,126 and \$74,734,518, respectively. The total cost of all programs and services was \$70,986,762 for 2011 and \$71,071,482 for 2010.

**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

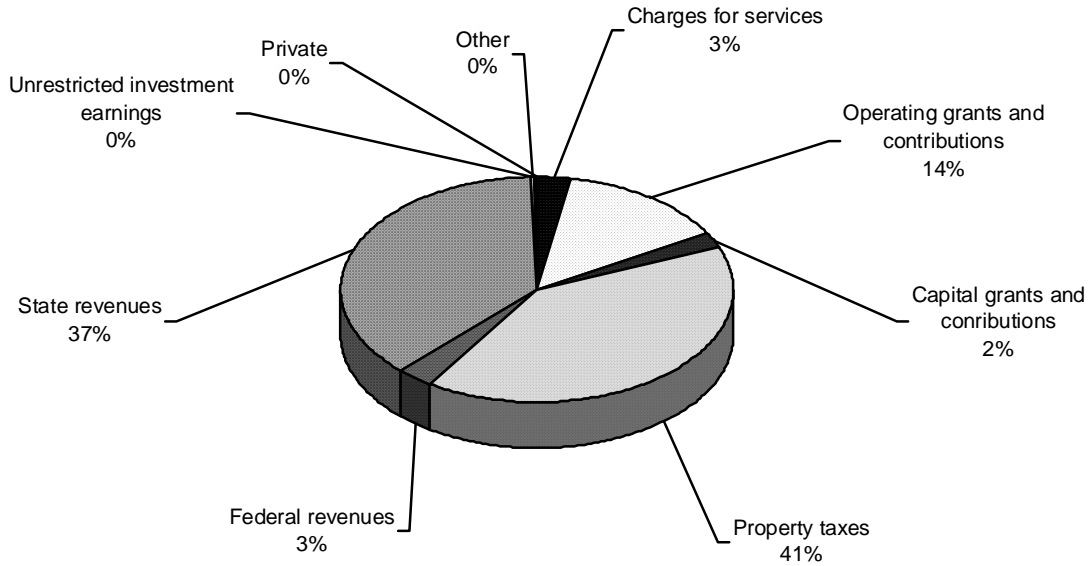
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 2
Changes in Net Assets**

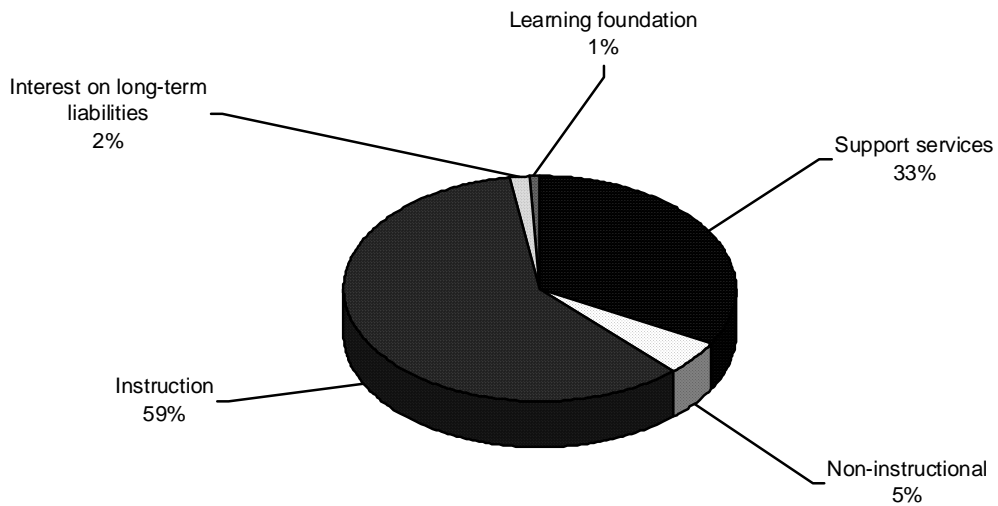
	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,134,148	\$ 2,279,936	-6.39%
Operating grants and contributions	10,621,265	10,135,312	4.79%
Capital grants and contributions	1,781,038	573,173	210.73%
General revenues:			
Property taxes	30,871,495	30,525,130	1.13%
Grants and contributions not restricted:			
State	28,635,035	28,045,288	2.10%
Federal	2,151,440	2,647,597	-18.74%
Private	580	3,253	-82.17%
Unrestricted investment earnings	79,720	476,383	-83.27%
Other	299,405	48,446	518.02%
Total revenues	\$ 76,574,126	\$ 74,734,518	2.46%
Expenses:			
Instruction	\$ 42,230,090	\$ 42,790,328	-1.31%
Support services	23,523,381	23,059,883	2.01%
Non-instructional	3,467,821	3,330,112	4.14%
Interest on long-term liabilities	1,076,619	1,184,408	-9.10%
Learning foundation	688,851	706,751	-2.53%
Total expenses	\$ 70,986,762	\$ 71,071,482	-0.12%
Special items	\$ -	\$ (2,117)	-100.00%
Increase in net assets	\$ 5,587,364	\$ 3,660,919	52.62%
Net Assets, July 1	\$ 53,346,224	\$ 49,670,043	7.40%
Prior Period Adjustment	(6,644)	15,262	-143.53%
Net Assets, July 1 Restated	\$ 53,339,580	\$ 49,685,305	7.35%
Net Assets, June 30	\$ 58,926,944	\$ 53,346,224	10.46%

**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

**Figure 1
Sources of Revenues for Fiscal Year 2011**



**Figure 2
Expenses for Fiscal Year 2011**



**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

Governmental activities. The following table 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 functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change	Net (Expense) Revenue		Percentage Change
	2011	2010		2011	2010	
Instruction	\$ 42,230,090	\$ 42,790,328	-1.31%	\$ (35,379,268)	\$ (36,465,058)	-2.98%
Support services	23,523,381	23,059,883	2.01%	(20,067,988)	(20,535,968)	-2.28%
Non-instructional	3,467,821	3,330,112	4.14%	263,834	272,466	-3.17%
Interest on long-term liabilities	1,076,619	1,184,408	-9.10%	(1,076,619)	(1,184,408)	-9.10%
Total expenses	\$ 70,297,911	\$ 70,364,731	-0.09%	\$ (56,260,041)	\$ (57,912,968)	-2.85%

- Net cost of governmental activities (\$56,260,041 for 2011 and \$57,912,968 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$30,871,495 for 2011 and \$30,525,130 for 2010) and state revenues (\$28,635,035 for 2011 and \$28,045,288 for 2010).
- Investment earnings amounted to \$79,720 for 2011 and \$476,383 for 2010.

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 accessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$18,156,342, an increase of \$3,489,497, which includes a prior period adjustment of (\$6,699) and an increase in inventory of \$28,143. \$9,268,876 or 51% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$8,887,466 or 49% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

**TUPELO PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

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 \$2,168,013, which includes a prior period adjustment of (\$6,699) and an increase in inventory of \$32,522. The fund balance of Other Governmental Funds showed an decrease in the amount of \$1,018,866, which includes a decrease in inventory of (\$4,379). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
STN - 2011 Construction	\$ 2,276,335
BI 1999 Retirement	\$ 64,015

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 special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total net capital assets, including primary government and component unit, were \$70,919,238, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$2,847,638 from 2010. Total accumulated depreciation as of June 30, 2011 was \$33,145,896, and total depreciation expense for the year was \$3,131,579, resulting in total net capital assets of \$70,919,238.

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 4,122,182	\$ 4,122,182	0.00%
Construction in progress	2,203,323	2,833,911	-22.25%
Buildings	47,458,226	48,512,581	-2.17%
Building Improvements	12,895,072	9,320,453	38.35%
Improvements other than buildings	948,063	1,012,744	-6.39%
Mobile Equipment	1,951,536	1,426,165	36.84%
Furniture and equipment	1,340,836	843,564	58.95%
Totals	\$ 70,919,238	\$ 68,071,600	4.18%

Additional information of 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, 2011**

Debt Administration. At June 30, 2011, the District had \$30,138,867 in outstanding long-term debt, of which \$5,524,889 is due within one year. The liability for compensated absences decreased \$44,245 from the prior year.

The District maintains an AAA bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 15,575,000	\$ 18,610,000	-16.31%
Deferred amount on refunding	(480,685)	(556,707)	-13.66%
Unamortized premiums	620,276	763,681	-18.78%
Limited obligation bonds payable	4,330,000	4,965,000	-12.79%
Three mill notes payable	2,275,000	-	N/A
Shortfall note payable	505,186	401,769	25.74%
Obligations under capital leases	3,069,995	872,706	251.78%
Obligations under energy efficiency lease	678,686	788,976	-13.98%
Qualified school construction bonds payable	3,000,000	3,000,000	0.00%
Compensated absences payable	565,409	609,654	-7.26%
Totals	<u>\$ 30,138,867</u>	<u>\$ 29,455,079</u>	2.32%

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. In addition, the District system of financial planning, budgeting and internal financial controls are 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 2010-2011 school year decreased by 0.96% to 6,671 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.

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FINANCIAL STATEMENT

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TUPELO PUBLIC SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

Exhibit A

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
	Governmental	Learning	Reporting
	Activities	Foundation	Entity
Assets			
Cash and cash equivalents	\$ 12,364,933	\$ 6,354	\$ 12,371,287
Cash with fiscal agents	125,005	-	125,005
Investments	192,755	2,582	195,337
Due from primary government	-	88,928	88,928
Due from fiduciary funds	-	4,200	4,200
Due from other governments	1,914,499	-	1,914,499
Other receivables, net	-	12,032	12,032
Inventories	164,102	-	164,102
Prepaid items	26,628	32,100	58,728
Deferred debt issuance costs	139,645	-	139,645
Restricted assets	4,050,214	-	4,050,214
Capital assets, non-depreciable:			
Land	3,922,182	200,000	4,122,182
Construction in progress	2,203,323	-	2,203,323
Capital assets, net of accumulated depreciation:			
Buildings	46,370,393	1,087,833	47,458,226
Building improvements	12,895,072	-	12,895,072
Improvements other than buildings	948,063	-	948,063
Mobile equipment	1,951,536	-	1,951,536
Furniture and equipment	1,340,836	-	1,340,836
Total Assets	<u>\$ 88,609,186</u>	<u>\$ 1,434,029</u>	<u>\$ 90,043,215</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 404,318	\$ 87,390	\$ 491,708
Due to component unit	88,928	-	88,928
Unearned revenue	188,548	-	188,548
Interest payable on long-term liabilities:	208,220	-	208,220
Long-term liabilities, due within one year			
Capital related liabilities	5,278,534	-	5,278,534
Non-capital related liabilities	246,355	-	246,355
Long-term liabilities, due beyond one year			
Capital related liabilities	23,789,738	-	23,789,738
Non-capital related liabilities	824,240	-	824,240
Total Liabilities	<u>\$ 31,028,881</u>	<u>\$ 87,390</u>	<u>\$ 31,116,271</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 40,563,133	\$ 1,287,833	\$ 41,850,966
Restricted for:			
Expendable:			
School-based activities	478,000	-	478,000
Debt service	4,199,439	-	4,199,439
Capital improvements	3,636,043	-	3,636,043
Unemployment benefits	202,348	-	202,348
Unrestricted	8,501,342	58,806	8,560,148
Total Net Assets	<u>\$ 57,580,305</u>	<u>\$ 1,346,639</u>	<u>\$ 58,926,944</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, 2011

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Learning Foundation	Total Reporting Entity
Governmental Activities:							
Instruction	\$ 42,230,090	\$ 565,474	\$ 6,262,008	\$ 23,340	\$ (35,379,268)	\$ -	\$ (35,379,268)
Support services	23,523,381	131,052	1,566,643	1,757,698	(20,067,988)	-	(20,067,988)
Non-instructional	3,467,821	939,041	2,792,614	-	263,834	-	263,834
Interest on long-term liabilities	1,076,619	-	-	-	(1,076,619)	-	(1,076,619)
Total Governmental Activities	\$ 70,297,911	\$ 1,635,567	\$ 10,621,265	\$ 1,781,038	\$ (56,260,041)	\$ -	\$ (56,260,041)
Total Component Unit	\$ 688,851	\$ 498,581	\$ -	\$ -	\$ -	\$ (190,270)	\$ (190,270)
General Revenues:							
Taxes:							
General purpose levies				\$ 25,858,144	\$ -		\$ 25,858,144
Debt purpose levies				5,013,351	-		5,013,351
Unrestricted grants and contributions:							
State				28,635,035	-		28,635,035
Federal				2,151,440	-		2,151,440
Private				-	580		580
Unrestricted investment earnings				79,194	526		79,720
Other				279,952	19,453		299,405
Total General Revenues				\$ 62,017,116	\$ 20,559		\$ 62,037,675
Change in Net Assets				\$ 5,757,075	\$ (169,711)		\$ 5,587,364
Net Assets - Beginning, as originally reported				\$ 51,829,874	\$ 1,516,350		\$ 53,346,224
Prior Period Adjustments				(6,644)	-		(6,644)
Net Assets - Beginning, as restated				\$ 51,823,230	\$ 1,516,350		\$ 53,339,580
Net Assets - Ending				\$ 57,580,305	\$ 1,346,639		\$ 58,926,944

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

TUPELO PUBLIC SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2011

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	STN - 2011 Construction Fund	BI 1999 Retirement Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 8,136,665	\$ 2,276,335	\$ 2,964,483	\$ 2,929,759	\$ 16,307,242
Cash with fiscal agents	-	-	-	125,005	125,005
Investments	3,196	-	74,365	223,099	300,660
Due from other governments	1,102,802	-	69,164	742,533	1,914,499
Due from other funds	662,089	-	-	151,784	813,873
Inventories	53,387	-	-	110,715	164,102
Prepaid items	26,628	-	-	-	26,628
Total assets	<u>\$ 9,984,767</u>	<u>\$ 2,276,335</u>	<u>\$ 3,108,012</u>	<u>\$ 4,282,895</u>	<u>\$ 19,652,009</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 213,610	\$ -	\$ -	\$ 190,708	\$ 404,318
Due to component unit	88,928	-	-	-	88,928
Due to other funds	110,293	-	-	703,580	813,873
Unearned revenue	-	-	-	188,548	188,548
Total Liabilities	<u>\$ 412,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,082,836</u>	<u>\$ 1,495,667</u>
Fund Balances:					
Nonspendable:					
Inventory	\$ 53,387	\$ -	\$ -	\$ 110,715	\$ 164,102
Prepaid items	26,628	-	-	-	26,628
Restricted:					
Debt service	-	-	3,108,012	1,160,003	4,268,015
Capital projects	-	2,276,335	-	1,359,708	3,636,043
Unemployment benefits	-	-	-	202,348	202,348
Other purposes	-	-	-	367,285	367,285
Assigned:					
Other purposes	223,045	-	-	-	223,045
Unassigned					
	<u>9,268,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,268,876</u>
Total Fund Balances	<u>\$ 9,571,936</u>	<u>\$ 2,276,335</u>	<u>\$ 3,108,012</u>	<u>\$ 3,200,059</u>	<u>\$ 18,156,342</u>
Total Liabilities and Fund Balances	<u>\$ 9,984,767</u>	<u>\$ 2,276,335</u>	<u>\$ 3,108,012</u>	<u>\$ 4,282,895</u>	<u>\$ 19,652,009</u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Exhibit C-1

Total fund balances for governmental funds \$ 18,156,342

Amounts reported for governmental activities in the statement of net assets are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$	3,922,182	
Construction in progress		2,203,323	
Buildings		65,427,607	
Building improvements		17,040,077	
Improvements other than buildings		1,869,442	
Mobile equipment		5,200,775	
Furniture and equipment		4,962,885	
Accumulated depreciation		<u>(30,994,886)</u>	69,631,405

2. Long-term liabilities, unamortized debt issuance costs, and related accrued interest are not due and payable in the current period and therefore are not reported in the funds

General obligation bonds	\$	(15,575,000)	
Limited obligation bonds		(4,330,000)	
Three mill notes payable		(2,275,000)	
Shortfall notes payable		(505,186)	
Capital lease obligations		(3,748,681)	
Qualified school construction bonds payable		(3,000,000)	
Deferred amount on refunding		480,685	
Unamortized premiums		(620,276)	
Unamortized debt issuance costs		139,645	
Accrued interest payable		(208,220)	
Compensated absences		<u>(565,409)</u>	(30,207,442)

Net assets of governmental activities \$ 57,580,305

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, 2011

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	STN - 2011 Construction Fund	BI 1999 Retirement Fund	Other Governmental Funds	
Revenues:					
Local sources	\$ 26,906,593	\$ 1,335	\$ 3,228,770	\$ 3,202,958	\$ 33,339,656
State sources	28,863,312	-	-	1,543,739	30,407,051
Federal sources	1,598,091	-	-	10,711,550	12,309,641
Total Revenues	<u>\$ 57,367,996</u>	<u>\$ 1,335</u>	<u>\$ 3,228,770</u>	<u>\$ 15,458,247</u>	<u>\$ 76,056,348</u>
Expenditures:					
Instruction	\$ 33,801,043	\$ -	\$ -	\$ 8,057,751	\$ 41,858,794
Support services	20,273,096	-	-	2,719,920	22,993,016
Noninstructional services	29,383	-	-	3,464,609	3,493,992
Facilities acquisition and construction	-	-	-	3,889,977	3,889,977
Debt service:					
Principal	-	-	2,455,000	2,576,440	5,031,440
Interest	-	-	716,600	417,485	1,134,085
Other	-	-	1,245	10,100	11,345
Total Expenditures	<u>\$ 54,103,522</u>	<u>\$ -</u>	<u>\$ 3,172,845</u>	<u>\$ 21,136,282</u>	<u>\$ 78,412,649</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 3,264,474</u>	<u>\$ 1,335</u>	<u>\$ 55,925</u>	<u>\$ (5,678,035)</u>	<u>\$ (2,356,301)</u>
Other Financing Sources (Uses):					
Bonds and notes issued	\$ 249,471	\$ 2,275,000	\$ 9,097	\$ -	\$ 2,533,568
Capital leases issued	3,293,288	-	-	-	3,293,288
Insurance recovery	14,074	-	-	-	14,074
Operating transfers in	161,340	-	-	5,173,776	5,335,116
Operating transfers out	(4,834,413)	-	-	(500,703)	(5,335,116)
Other financing uses	(6,044)	-	(1,007)	(9,525)	(16,576)
Total Other Financing Sources (Uses)	<u>\$ (1,122,284)</u>	<u>\$ 2,275,000</u>	<u>\$ 8,090</u>	<u>\$ 4,663,548</u>	<u>\$ 5,824,354</u>
Net Change in Fund Balances	<u>\$ 2,142,190</u>	<u>\$ 2,276,335</u>	<u>\$ 64,015</u>	<u>\$ (1,014,487)</u>	<u>\$ 3,468,053</u>
Fund Balances:					
July 1, 2010, as originally reported	\$ 7,403,923	\$ -	\$ 3,043,997	\$ 4,218,925	\$ 14,666,845
Prior period adjustments	(6,699)	-	-	-	(6,699)
July 1, 2010, as restated	<u>\$ 7,397,224</u>	<u>\$ -</u>	<u>\$ 3,043,997</u>	<u>\$ 4,218,925</u>	<u>\$ 14,660,146</u>
Increase (Decrease) in reserve for inventory	<u>\$ 32,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,379)</u>	<u>\$ 28,143</u>
June 30, 2011	<u>\$ 9,571,936</u>	<u>\$ 2,276,335</u>	<u>\$ 3,108,012</u>	<u>\$ 3,200,059</u>	<u>\$ 18,156,342</u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit D-1

Net change in fund balances - total governmental funds \$ 3,468,053

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 5,979,369	
Depreciation expense	<u>(3,024,579)</u>	2,954,790

2. In the statement of activities, only the gain/loss on the sale or retirement of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the basis of the assets retired or sold. (207)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	\$ (2,533,568)	
Capital leases issued	(3,293,288)	
Payments of debt principal	5,031,440	
Accrued interest payable	<u>16,766</u>	(778,650)

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	\$ 44,245	
Change in inventory reserve	28,143	
Amortization of bond issuance costs	(26,682)	
Amortization of bond premium	143,405	
Amortization of advance refunding difference	<u>(76,022)</u>	113,089

Change in net assets of governmental activities	\$ 5,757,075
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The notes to the financial statements are an integral part of this statement.

TUPELO PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2011

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 12,734	\$ 2,158,004
Investments	157,169	-
Total Assets	\$ 169,903	\$ 2,158,004
Liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 2,120,140
Due to component unit	4,200	-
Due to student clubs	-	37,864
Total Liabilities	\$ 4,200	\$ 2,158,004
Net Assets		
Reserved for endowments	\$ 125,000	
Held in trust	40,703	
Total Net Assets	\$ 165,703	

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, 2011

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ <u>3,098</u>
Total Additions	\$ <u>3,098</u>
 Deductions	
Scholarships awarded	\$ 1,800
Other	<u>594</u>
Total Deductions	\$ <u>2,394</u>
Change in Net Assets	\$ <u>704</u>
 Net Assets	
July 1, 2010	\$ <u>164,999</u>
June 30, 2011	\$ <u><u>165,703</u></u>

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, 2011

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. Basis of Presentation

In February 2009, the GASB issued GASB Statement No 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. 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.

C. Government-wide and Fund Financial Statements

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.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies – Continued

C. Government-wide and Fund Financial Statements - Continued

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.
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. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

STN – 2011 Construction 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.

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

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.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies – Continued

C. Government-wide and Fund Financial Statements - Continued

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

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

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

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

FIDUCIARY FUNDS

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.

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

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.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies – Continued

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation –Continued

However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

Ad valorem property taxes are levied by the governing 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.

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 not reported within committed or assigned fund balances.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies – Continued

F. Assets, Liabilities, and Net assets / Fund Balances

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The School District deposits excess funds in the financial institutions selected by the School Board. State statutes specify how these depositories are to be selected.

Investments

The School District can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the District, 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, 2011

1. Summary of Significant Accounting Policies – Continued

F. Assets, Liabilities, and Net assets / Fund Balances - 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 debt or state statutes.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental activities 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, 2011

1. Summary of Significant Accounting Policies – Continued

F. Assets, Liabilities, and Net assets / Fund Balances - 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 Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is by resolution of the Board. Currently there is no committed fund balance for this School District.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

1. Summary of Significant Accounting Policies – Continued

F. Assets, Liabilities, and Net assets / Fund Balances - Continued

9. Fund Balances – Continued

Assigned fund balance includes amounts that are constrained by the District’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance, pursuant to authority established by the Board, are created by the superintendent and business manager.

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

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

2. Cash and Cash Equivalents, Cash with Fiscal Agents, 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.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2011

2. Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments - Continued

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.

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 \$16,307,242, \$6,354 and \$2,170,738 respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2011, none of the District's bank balance of \$20,722,109 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the School District's cash with fiscal agents held by financial institutions was \$125,005.

Investments

As of June 30, 2011, 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	\$ 275,245	Unrated**
Mississippi Education Investment Pool B	Less than 1	<u>185,166</u>	Unrated**
Total Investments		<u>\$ 460,411</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, 2011, the District did not have any investments to which this would apply.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

2. Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments - Continued

Investments - Continued

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

3. Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 662,089
Other governmental funds	General Fund	110,293
Other governmental funds	Other governmental funds	41,491
Component Unit	Fiduciary Funds	4,200
Component Unit	General Fund	88,928
Total		<u>\$ 907,001</u>

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

B. Inter-fund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 4,834,413
Other governmental funds	General Fund	161,340
Other governmental funds	Other governmental funds	<u>339,363</u>
Total		<u>\$ 5,335,116</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.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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.

<u>Funds with Restricted Balances</u>	<u>Account</u>	<u>Amount</u>
2008 Shortfall Note Retirement Fund	Cash	\$ 93,848
2009 Shortfall Note Retirement Fund	Cash	96,385
2010 Shortfall Note Retirement Fund	Cash	160,263
2005 Short Term Note Retirement Fund	Cash	171,931
2005 Short Term Note Retirement Fund	Investments	33,540
BI 1999 Retirement Fund	Cash	2,964,483
BI 1999 Retirement Fund	Investments	74,365
QSCB Retirement Fund	Cash	574
STN 2011 Retirement Fund	Cash	<u>454,825</u>
 Total Restricted Assets		 \$ <u><u>4,050,214</u></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.

Other receivables as of June 30, 2011 for the component unit including the applicable allowances are as follows:

Other Receivables:	
Due from tenants	\$ 219,565
Less: Allowance for uncollectible accounts	<u>(207,533)</u>
Total Other Receivables	<u>\$ 12,032</u>

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

6. Capital Assets

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

	Balance 7/1/2010	Additions	Retirements	Completed Construction	Adjustment	Balance 6/30/2011
Governmental Activities:						
<u>Non-depreciable capital assets</u>						
Land	\$ 3,922,182	\$ -	\$ -	\$ -	\$ -	\$ 3,922,182
Construction in progress	2,833,911	3,889,977	-	(4,520,565)	-	2,203,323
Total non-depreciable capital assets	\$ 6,756,093	\$ 3,889,977	\$ -	\$ (4,520,565)	\$ -	\$ 6,125,505
<u>Depreciable capital assets</u>						
Buildings	\$ 65,163,264	\$ -	\$ -	\$ 264,343	\$ -	\$ 65,427,607
Building improvements	12,783,855	-	-	4,256,222	-	17,040,077
Improvements other than buildings	1,869,442	-	-	-	-	1,869,442
Mobile equipment	4,398,888	801,887	-	-	-	5,200,775
Furniture and equipment	3,690,635	1,287,505	20,712	-	5,457	4,962,885
Total depreciable capital assets	\$ 87,906,084	\$ 2,089,392	\$ 20,712	\$ 4,520,565	\$ 5,457	\$ 94,500,786
<u>Less accumulated depreciation for:</u>						
Buildings	\$ 17,845,516	\$ 1,211,698	\$ -	\$ -	\$ -	\$ 19,057,214
Buildings improvements	3,463,402	681,603	-	-	-	4,145,005
Improvements other than buildings	856,698	64,681	-	-	-	921,379
Mobile equipment	2,972,723	276,516	-	-	-	3,249,239
Furniture and equipment	2,847,071	790,081	20,505	-	5,402	3,622,049
Total accumulated depreciation	\$ 27,985,410	\$ 3,024,579	\$ 20,505	\$ -	\$ 5,402	\$ 30,994,886
Total depreciable capital assets, net	\$ 59,920,674	\$ (935,187)	\$ 207	\$ 4,520,565	\$ 55	\$ 63,505,900
Governmental activities capital assets, net	\$ 66,676,767	\$ 2,954,790	\$ 207	\$ -	\$ 55	\$ 69,631,405

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, 2011

6. Capital Assets - Continued

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

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2011</u>
<u>Non-depreciable capital assets</u>				
Land	\$ 200,000	\$ -	\$ -	\$ 200,000
Total non-depreciable capital assets	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>
<u>Depreciable capital assets</u>				
Buildings	\$ 3,210,000	\$ -	\$ -	\$ 3,210,000
Furniture and equipment	<u>28,843</u>	<u>-</u>	<u>-</u>	<u>28,843</u>
Total depreciable capital assets	<u>\$ 3,238,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,238,843</u>
<u>Less accumulated depreciation for:</u>				
Buildings	\$ 2,015,167	\$ 107,000	\$ -	\$ 2,122,167
Furniture and equipment	<u>28,843</u>	<u>-</u>	<u>-</u>	<u>28,843</u>
Total accumulated depreciation	<u>\$ 2,044,010</u>	<u>\$ 107,000</u>	<u>\$ -</u>	<u>\$ 2,151,010</u>
Total depreciable capital assets, net	<u>\$ 1,194,833</u>	<u>\$ (107,000)</u>	<u>\$ -</u>	<u>\$ 1,087,833</u>
Discretely presented component unit capital assets, net	<u>\$ 1,394,833</u>	<u>\$ (107,000)</u>	<u>\$ -</u>	<u>\$ 1,287,833</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 431,576
Support services	2,591,073
Non-instructional	<u>1,930</u>
Total governmental activities depreciation expense	<u>\$ 3,024,579</u>
Component unit:	
Learning foundation	<u>\$ 107,000</u>
Total component unit depreciation expense	<u>\$ 107,000</u>

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, 2011

6. Capital Assets - Continued

Commitments under construction contracts at June 30, 2011, are summarized as follows:

	Spent to June 30, 2011	Remaining Commitment
Rankin renovations	\$ 260,901	\$ 8,011
Tupelo High renovations phase II	1,942,422	635,393
	<u>\$ 2,203,323</u>	<u>\$ 643,404</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 7/1/2010	Additions	Deductions	Balance 6/30/2011	Amounts due within one year
A. General obligation bonds payable	\$ 18,610,000	\$ -	\$ 3,035,000	\$ 15,575,000	\$ 3,185,000
Deferred amount on refunding	(556,707)	-	(76,022)	(480,685)	-
Unamortized premiums	763,681	-	143,405	620,276	-
B. Limited obligation notes payable	4,965,000	-	635,000	4,330,000	660,000
C. Three mill notes payable	-	2,275,000	-	2,275,000	205,000
D. Shortfall note payable	401,769	258,568	155,151	505,186	246,355
E. Obligations under capital lease	872,706	3,293,288	1,095,999	3,069,995	1,113,835
F. Obligations under energy efficiency lease	788,976	-	110,290	678,686	114,699
G. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
H. Compensated absences	609,654	-	44,245	565,409	-
Total	<u>\$ 29,455,079</u>	<u>\$ 5,826,856</u>	<u>\$ 5,143,068</u>	<u>\$ 30,138,867</u>	<u>\$ 5,524,889</u>

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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	\$ 2,225,000
General obligation refunding bonds, Series 2005	3.0-5.0%	5/1/2005	11/1/2015	<u>18,750,000</u>	<u>13,350,000</u>
Total				\$ <u>24,910,000</u>	\$ <u>15,575,000</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
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	390,000	11,377	401,377
2017	<u>60,000</u>	<u>1,350</u>	<u>61,350</u>
Total	\$ <u>2,225,000</u>	\$ <u>229,405</u>	\$ <u>2,454,405</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
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>13,350,000</u>	\$ <u>1,693,750</u>	\$ <u>15,043,750</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, 2011

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
2012	\$ 3,185,000	\$ 686,262	\$ 3,871,262
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	3,140,000	80,127	3,220,127
2017	60,000	1,350	61,350
Total	\$ 15,575,000	\$ 1,923,155	\$ 17,498,155

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, 2011, the amount of outstanding bonded indebtedness was equal to 3.16% of property assessments as of October 1, 2010.

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	\$ 4,330,000

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

Year Ending June 30,	Principal	Interest	Total
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	760,000	62,395	822,395
2017	790,000	31,995	821,995
Total	\$ 4,330,000	\$ 613,622	\$ 4,943,622

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, 2011

7. Long-term Liabilities - Continued

C. Three Mill Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2011	3.04%	5/19/2011	9/1/2020	\$ 2,275,000	\$ 2,275,000

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 205,000	\$ 51,059	\$ 256,059
2013	85,000	61,636	146,636
2014	85,000	59,052	144,052
2015	90,000	56,392	146,392
2016	95,000	53,580	148,580
2017-2021	1,715,000	151,012	1,866,012
Total	\$ 2,275,000	\$ 432,731	\$ 2,707,731

This debt will be retired from the STN 2011 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	\$ 81,394
Shortfall note – 2009	4.08%	9/1/2009	9/1/2012	243,012	165,224
Shortfall note – 2010	2.46%	10/5/2010	10/5/2013	258,568	258,568
Total				\$ 733,870	\$ 505,186

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
2012	\$ 81,394	\$ 4,241	\$ 85,635
Total	\$ 81,394	\$ 4,241	\$ 85,635

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

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

7. Long-term Liabilities – Continued

D. Shortfall Notes Payable - Continued

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 80,961	\$ 6,741	\$ 87,702
2013	84,263	3,438	87,701
Total	\$ <u>165,224</u>	\$ <u>10,179</u>	\$ <u>175,403</u>

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

3. Shortfall notes payable issue of October 5, 2010:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 84,000	\$ 6,361	\$ 90,361
2013	86,000	4,294	90,294
2014	88,568	2,179	90,747
Total	\$ <u>258,568</u>	\$ <u>12,834</u>	\$ <u>271,402</u>

This debt will be retired from the 2010 Shortfall Note Retirement Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 246,355	\$ 17,343	\$ 263,698
2013	170,263	7,732	177,995
2014	88,568	2,179	90,747
Total	\$ <u>505,186</u>	\$ <u>27,254</u>	\$ <u>532,440</u>

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.

The School District has 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. This lease qualifies as a capital lease for accounting purposes.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

7. Long-term Liabilities – Continued

E. Obligations under Capital Leases – Continued

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	\$ 600,029
Obligations under capital lease	0.00%	7/05/2010	7/05/2013	3,293,288	2,469,966
Total				<u>4,495,756</u>	<u>3,069,995</u>

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

1. Obligations under capital lease issue of February 10, 2010:

Year Ending June 30,	Principal	Interest and Maintenance Charges	Total
2012	\$ 290,513	\$ 39,249	\$ 329,762
2013	309,516	20,246	329,762
Total	<u>\$ 600,029</u>	<u>\$ 59,495</u>	<u>\$ 659,524</u>

2. Obligations under capital lease issue of July 5, 2010:

Year Ending June 30,	Principal	Interest and Maintenance Charges	Total
2012	\$ 823,322	\$ -	\$ 823,322
2013	823,322	-	823,322
2014	823,322	-	823,322
Total	<u>\$ 2,469,966</u>	<u>\$ -</u>	<u>\$ 2,469,966</u>

Total obligations under capital lease for all issues:

Year Ending June 30,	Principal	Interest and Maintenance Charges	Total
2012	\$ 1,113,835	\$ 39,249	\$ 1,153,084
2013	1,132,838	20,246	1,153,084
2014	823,322	-	823,322
Total	<u>\$ 3,069,995</u>	<u>\$ 59,495</u>	<u>\$ 3,129,490</u>

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

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

7. Long-term Liabilities – Continued

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	\$ 678,686

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
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	134,167	5,127	139,294
2017	57,474	565	58,039
Total	\$ 678,686	\$ 75,822	\$ 754,508

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 fifteen (15) 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 14, 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

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

7. Long-term Liabilities – Continued

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.

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, 2011, \$13,600,000 of bonds outstanding are defeased.

9. 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, 2011, amounted to \$165,237.

Future lease payments for these leases are as follows:

Year Ending June 30,	Amount
<u> </u>	<u> </u>
2012	\$ 32,573
2013	7,269
2014	<u>452</u>
Total	<u>\$ 40,294</u>

10. 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.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

10. Defined Benefit Pension Plan - Continued

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 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, 2011, 2010 and 2009 were \$4,445,582, \$4,755,202 and \$4,655,698, respectively, which equaled the required contributions for each year.

11. Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Correction of prior period expenses	\$ (6,699)
Correction of capital asset	55
Total	<u>(6,644)</u>

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

<u>Funds</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Correction of prior period expenses	\$ (6,699)
		<u>\$ (6,699)</u>

12. 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.

13. 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.

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

13. Risk Management – Continued

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.

14. Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The School District makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$125,005. 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
2012	\$ 145,000
2013	145,000
2014	145,000
2015	145,000
2016	145,000
2017-2021	1,086,000
2022-2025	1,064,000
Total	\$ 2,875,000

15. 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.

**TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2011

15. Vocational School Consortium - Continued

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

The 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.

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, 2011**

Revenues

Local sources:	
Tuition from other LEA's within the state:	
Lee County School District	\$ 34,052
Total tuition from other LEA's within the state	<u>\$ 34,052</u>
Ad Valorem	\$ 209,093
Total local sources	<u>\$ 243,145</u>
State sources	\$ 1,088,937
Federal sources	62,397
Total Revenues	<u>\$ 1,394,479</u>

Expenditures

Salaries	\$ 1,207,382
Employee benefits	343,028
Purchased property services	7,958
Other purchased services	656
Supplies	47,178
Property	21,678
Total Expenditures	<u>\$ 1,627,880</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (233,401)</u>

Other Financing Sources:

Operating transfers in	\$ 233,401
Total Other Financing Sources	<u>\$ 233,401</u>
Net Change in Fund Balance	<u>\$ -</u>

Fund Balance:

July 1, 2010	\$ -
June 30, 2011	<u>\$ -</u>

TUPELO PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

16. Insurance Loss Recoveries

The Tupelo School District received \$14,074 in insurance loss recoveries related to fence repairs and automobile damage during the 2010-2011 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.

17. 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 October 26, 2012, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

Subsequent to June 30, 2011, the District issued Qualified School Construction Bonds in the amount of \$3,000,000 with an interest rate of 2.64%. The bonds mature September 1, 2026. The District's first annual sinking fund payment in the amount of \$125,000 is due June 30, 2012.

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REQUIRED SUPPLEMENTAL INFORMATION

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TUPELO PUBLIC SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 26,596,168	\$ 26,906,593	\$ 26,906,593	\$ 310,425	\$ -
State sources	28,970,360	28,863,312	28,863,312	(107,048)	-
Federal sources	1,544,617	1,598,091	1,598,091	53,474	-
Total Revenues	<u>\$ 57,111,145</u>	<u>\$ 57,367,996</u>	<u>\$ 57,367,996</u>	<u>\$ 256,851</u>	<u>\$ -</u>
Expenditures:					
Instruction	\$ 38,463,458	\$ 33,801,043	\$ 33,801,043	\$ 4,662,415	\$ -
Support services	20,947,252	20,245,244	20,273,096	702,008	(27,852)
Noninstructional services	59,797	29,383	29,383	30,414	-
Total Expenditures	<u>\$ 59,470,507</u>	<u>\$ 54,075,670</u>	<u>\$ 54,103,522</u>	<u>\$ 5,394,837</u>	<u>\$ (27,852)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ (2,359,362)</u>	<u>\$ 3,292,326</u>	<u>\$ 3,264,474</u>	<u>\$ 5,651,688</u>	<u>\$ (27,852)</u>
Other Financing Sources (Uses):					
Bonds and notes issued	\$ -	\$ 249,471	\$ 249,471	\$ 249,471	\$ -
Capital leases issued	3,293,288	3,293,288	3,293,288	-	-
Insurance recovery	-	14,074	14,074	14,074	-
Operating transfers in	8,435,698	161,340	161,340	(8,274,358)	-
Operating transfers out	(9,814,933)	(4,834,413)	(4,834,413)	4,980,520	-
Other financing uses	-	(6,044)	(6,044)	(6,044)	-
Total Other Financing Sources (Uses)	<u>\$ 1,914,053</u>	<u>\$ (1,122,284)</u>	<u>\$ (1,122,284)</u>	<u>\$ (3,036,337)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (445,309)</u>	<u>\$ 2,170,042</u>	<u>\$ 2,142,190</u>	<u>\$ 2,615,351</u>	<u>\$ (27,852)</u>
Fund Balances:					
July 1, 2010, as originally reported	\$ 7,403,923	\$ 7,403,923	\$ 7,403,923	\$ -	\$ -
Prior period adjustments	-	(6,699)	(6,699)	(6,699)	-
July 1, 2010, as restated	<u>\$ 7,403,923</u>	<u>\$ 7,397,224</u>	<u>\$ 7,397,224</u>	<u>\$ (6,699)</u>	<u>\$ -</u>
Increase (Decrease) in reserve for inventory	\$ -	\$ 32,522	\$ 32,522	\$ 32,522	\$ -
June 30, 2011	<u>\$ 6,958,614</u>	<u>\$ 9,599,788</u>	<u>\$ 9,571,936</u>	<u>\$ 2,641,174</u>	<u>\$ (27,852)</u>

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

TUPELO PUBLIC SCHOOL DISTRICT
Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

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, 2011

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	\$ 789,491
National school lunch program	10.555	1,954,495
Summer food service program for children	10.559	114,472
Total child nutrition cluster		<u>\$ 2,858,458</u>
Total passed-through Mississippi Department of Education		<u>\$ 2,858,458</u>
Total U.S. Department of Agriculture		<u>\$ 2,858,458</u>
<u>Appalachian Regional Commission</u>		
Direct Programs:		
Appalachian Area Development	23.002	\$ 98,993
Total Appalachian Regional Commission		<u>\$ 98,993</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	\$ 1,197,534
Total Federal Communications Commission		<u>\$ 1,197,534</u>
<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		<u>\$ 2,500</u>
<u>National Science Foundation</u>		
Direct Programs:		
Education and human resources	47.076	\$ 17,569
Total National Science Foundation		<u>\$ 17,569</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	\$ 62,397
Safe and drug-free schools and communities- state grants	84.186	16,661
Fund for the improvement of education	84.215	4,395
Twenty-first century community learning centers	84.287	186,260
English language acquisition grants	84.365	26,537
Improving teacher quality - state grants	84.367	336,431
ARRA - State fiscal stabilization fund - education state grants, Recovery Act	84.394	1,765,611
Education jobs fund	84.410	1,095,569
Subtotal		<u>\$ 3,493,861</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	\$ 1,495,690
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	78,234
Total Title I cluster		<u>\$ 1,573,924</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 1,305,171
Special education - preschool grants	84.173	136,133
ARRA - Special education grants to states, Recovery Act	84.391	1,166,389
Total special education cluster		<u>\$ 2,607,693</u>
Education technology state grants cluster:		
Education technology state grants	84.318	\$ 14,983
ARRA - Education technology state grants, Recovery Act	84.386	29,323
Total State Fiscal Stabilization Fund cluster		<u>\$ 44,306</u>

TUPELO PUBLIC SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
Education for homeless children and youth cluster:		
Education for homeless children and youth	84.196	\$ 30,765
ARRA - Education for homeless children and youth, Recovery Act	84.387	\$ 11,089
Total Education for homeless children and youth cluster		<u>\$ 41,854</u>
Total passed-through Mississippi Department of Education		<u>\$ 7,761,638</u>
Total U.S. Department of Education		<u>\$ 7,761,638</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	\$ 9,794
Total passed-through Mississippi Department of Education		<u>\$ 9,794</u>
Total Corporation for National and Community Service		<u>\$ 9,794</u>
 Total for All Federal Awards		 <u><u>\$ 11,946,486</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 the Year Ended June 30, 2011

<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	\$ 49,796,860	\$ 40,170,410	\$ 1,794,089	\$ 2,838,348	\$ 4,994,013
Other	28,615,789	9,874,572	712,565	59,207	17,969,445
 Total	 \$ 78,412,649	 \$ 50,044,982	 \$ 2,506,654	 \$ 2,897,555	 \$ 22,963,458
 Total number of students *	 6,671				
 Cost per student	 \$ 11,754	 \$ 7,502	 \$ 376	 \$ 434	 \$ 3,442

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

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

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

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

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

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

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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

	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
Revenues:				
Local sources	\$ 26,906,593	\$ 26,520,503	\$ 25,875,825	\$ 23,603,756
State sources	28,863,312	28,383,335	31,015,105	31,296,765
Federal sources	1,598,091	672,685	884,271	549,831
Total Revenues	<u>\$ 57,367,996</u>	<u>\$ 55,576,523</u>	<u>\$ 57,775,201</u>	<u>\$ 55,450,352</u>
Expenditures:				
Instruction	\$ 33,801,043	\$ 34,573,655	\$ 36,144,594	\$ 34,511,485
Support services	20,273,096	18,569,247	19,103,046	19,018,194
Noninstructional services	29,383	75	-	-
Debt service:				
Interest	-	4,238	-	-
Other	-	-	6,447	-
Total Expenditures	<u>\$ 54,103,522</u>	<u>\$ 53,147,215</u>	<u>\$ 55,254,087</u>	<u>\$ 53,529,679</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ 3,264,474</u>	<u>\$ 2,429,308</u>	<u>\$ 2,521,114</u>	<u>\$ 1,920,673</u>
Other Financing Sources (Uses):				
Bonds and notes issued	\$ 249,471	\$ 133,299	\$ 232,290	\$ -
Capital leases issued	3,293,288	1,202,468	-	-
Insurance recovery	14,074	5,122	1,214	7,896
Sale of transportation equipment	-	-	5,886	6,500
Sale of other property	-	-	-	4,356
Operating transfers in	161,340	1,207,480	102,957	911,445
Operating transfers out	(4,834,413)	(3,729,380)	(3,017,740)	(3,199,066)
Other financing uses	(6,044)	(7,875)	(157,504)	-
Total Other Financing Sources (Uses)	<u>\$ (1,122,284)</u>	<u>\$ (1,188,886)</u>	<u>\$ (2,832,897)</u>	<u>\$ (2,268,869)</u>
Net Change in Fund Balances	<u>\$ 2,142,190</u>	<u>\$ 1,240,422</u>	<u>\$ (311,783)</u>	<u>\$ (348,196)</u>
Fund Balances:				
Beginning of period, as originally reported	\$ 7,403,923	\$ 6,194,092	\$ 6,500,097	\$ 6,826,685
Prior period adjustments	(6,699)	(19,391)	(6,524)	(1,324)
Beginning of period, as restated	<u>\$ 7,397,224</u>	<u>\$ 6,174,701</u>	<u>\$ 6,493,573</u>	<u>\$ 6,825,361</u>
Increase (Decrease) in reserve for inventory	<u>\$ 32,522</u>	<u>\$ (11,200)</u>	<u>\$ 12,302</u>	<u>\$ 22,932</u>
End of Period	<u>\$ 9,571,936</u>	<u>\$ 7,403,923</u>	<u>\$ 6,194,092</u>	<u>\$ 6,500,097</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

	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
Revenues:				
Local sources	\$ 33,339,656	\$ 33,076,418	\$ 32,380,696	\$ 30,315,742
State sources	30,407,051	30,085,130	33,218,345	33,228,037
Federal sources	12,309,641	11,033,701	7,925,597	7,480,322
Total Revenues	<u>\$ 76,056,348</u>	<u>\$ 74,195,249</u>	<u>\$ 73,524,638</u>	<u>\$ 71,024,101</u>
Expenditures:				
Instruction	\$ 41,858,794	\$ 42,772,384	\$ 41,595,928	\$ 39,873,627
Support services	22,993,016	21,012,480	21,354,264	21,591,584
Noninstructional services	3,493,992	3,341,955	3,490,960	3,323,620
Facilities acquisition and construction	3,889,977	2,708,310	5,488,244	2,601,116
Debt service:				
Principal	5,031,440	4,699,346	4,401,975	4,188,056
Interest	1,134,085	1,211,873	1,361,785	1,525,937
Other	11,345	29,188	21,275	11,175
Total Expenditures	<u>\$ 78,412,649</u>	<u>\$ 75,775,536</u>	<u>\$ 77,714,431</u>	<u>\$ 73,115,115</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>\$ (2,356,301)</u>	<u>\$ (1,580,287)</u>	<u>\$ (4,189,793)</u>	<u>\$ (2,091,014)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	\$ 2,533,568	\$ 3,718,012	\$ 232,290	\$ -
Capital leases issued	3,293,288	1,202,468	-	-
Insurance recovery	14,074	5,122	1,214	7,896
Sale of transportation equipment	-	-	5,886	6,500
Sale of other property	-	-	-	4,356
Operating transfers in	5,335,116	5,135,602	4,089,952	4,346,444
Operating transfers out	(5,335,116)	(5,196,678)	(4,089,952)	(4,335,156)
Other financing uses	(16,576)	(14,573)	(1,053,490)	-
Total Other Financing Sources (Uses)	<u>\$ 5,824,354</u>	<u>\$ 4,849,953</u>	<u>\$ (814,100)</u>	<u>\$ 30,040</u>
Special items	<u>\$ -</u>	<u>\$ (2,117)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 3,468,053</u>	<u>\$ 3,267,549</u>	<u>\$ (5,003,893)</u>	<u>\$ (2,060,974)</u>
Fund Balances:				
Beginning of period, as originally reported	\$ 14,666,845	\$ 11,388,129	\$ 16,398,646	\$ 18,451,705
Prior period adjustments	(6,699)	15,204	(6,524)	(1,324)
Beginning of period, as restated	<u>\$ 14,660,146</u>	<u>\$ 11,403,333</u>	<u>\$ 16,392,122</u>	<u>\$ 18,450,381</u>
Increase (Decrease) in reserve for inventory	<u>\$ 28,143</u>	<u>\$ (4,037)</u>	<u>\$ (100)</u>	<u>\$ 9,239</u>
End of Period	<u>\$ 18,156,342</u>	<u>\$ 14,666,845</u>	<u>\$ 11,388,129</u>	<u>\$ 16,398,646</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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M. M. WINKLER & ASSOCIATES, PLLC

Certified Public Accountants

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

INDEPENDENT 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, 2011, which collectively comprise Tupelo Public School District's basic financial statements and have issued our report thereon dated October 26, 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

Management of Tupelo Public School District is responsible for establishing and maintaining effective 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2011-1 and 2011-2 to be material weaknesses.

**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, 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, PLLC

October 26, 2012

M. M. WINKLER & ASSOCIATES, PLLC

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR 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 Tupelo Public School District's compliance 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, 2011. 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, 2011.

Internal Control Over Compliance

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 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, PLLC

October 26, 2012

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

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M. M. WINKLER & ASSOCIATES, PLLC

Certified Public Accountants

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

INDEPENDENT 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, 2011, which collectively comprise Tupelo Public School District's basic financial statements and have issued our report thereon dated October 26, 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 \$8,245 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, 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, PLLC

October 26, 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, 2011

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor’s report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | The Schools and Libraries Program of the Universal Service Fund | |
| | CFDA #: 32.xxx | |
| | Cluster: Special Education | |
| | CFDA#: 84.027; CFDA#: 84.173; CFDA#: 84.391 | |
| | ARRA - State Fiscal Stabilization Fund – Educational State Grants, Recovery Act | |
| | CFDA #: 84.394 | |
| | Education Jobs fund | |
| | CFDA#: 84.410 | |

- Continued -

TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended June 30, 2011

Section I: Summary of Auditor's Results - Continued

- | | | |
|-----|---|------------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 358,395 |
| 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

2011-1 (*Material Weakness*)

Condition: During fiscal year 2011, the District contracted with a third party (agent) to manage the operations of the Learning Foundation's (a component unit of the District) apartment complex. The District did not redesign its internal controls to ensure that all transactions by the agent for the Learning Foundation were recorded in the component unit accounting records in conformity with accounting principles generally accepted in the United States of America.

Criteria: Management is responsible for establishing an internal control system to to ensure recording of all transactions that are material to its financial statements.

Cause of Condition: Internal controls were not established or redesigned to ensure recording of all transactions made by the agent for the Learning Foundation.

Effect of Condition: Lack of controls over the recording of transactions made by the agent caused the District's financial statements for the Learning Foundation to be materially misstated.

Recommendation: We recommend the District establish adequate controls and procedures to ensure proper recording of transactions made by the agent for the component unit's apartment complex.

Response:

The District is aware of the need for more controls over the operation of the apartment complex. The original agreement was written without the involvement of the finance department. The agent managing the complex agrees with the District administration that the original agreement needs to be rewritten to include solutions to a number of issues encountered by both parties since the process began in 2010-2011 school year. Among the issues to address in the new agreement are the reporting and monitoring of the financial records by the School District.

TUPELO PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended June 30, 2011

Section II: Financial Statement Findings – Continued

2011-2 (*Material Weakness*)

Condition: During fiscal year 2011, the District contracted with a third party (agent) to manage the operations of the Learning Foundation's (a component unit of the District) apartment complex. The District did not implement controls to monitor the transactions made by the agent for the Learning Foundation.

Criteria: Management is responsible for establishing an 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: Internal controls were not established to monitor transactions made by the agent for the Learning Foundation.

Effect of Condition: Lack of monitoring controls for transactions conducted by the agent increases the risk of misappropriation of assets and/or misstatements that could have a material effect on the Learning Foundation's financial statements.

Recommendation: We recommend that the District establish controls and procedures to monitor the Learning Foundation's transactions conducted by the agent.

Response:

The District is aware of the need for monitoring the operation of the apartment complex. The original agreement was written without the involvement of the finance department. The agent managing the complex agrees with the District administration that the original agreement needs to be rewritten to include solutions to a number of issues encountered by both parties since the process began in 2010-2011 school year. Among the issues to address in the new agreement are the reporting and monitoring of the financial records by the School District.

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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