



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

PONTOTOC COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

0



**PONTOTOC COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2005**

	<u>Page</u>
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information	1-2
Management's Discussion and Analysis	3-10
Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Statement of Fiduciary Net Assets	17
Notes to Financial Statements	18-30
Required Supplementary Information	
Budgetary Comparison for Major Funds	31-32
Notes to Required Supplementary Information	33
Supplemental Information	
Schedule of Expenditures of Federal Awards	34
Schedule of Instructional, Administrative and Support Service Expenditures	35
Compliance and Internal Control Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	38-39
Independent Auditors' Report on Compliance with State Laws and Regulations	40
Schedule of Findings and Questioned Costs	41-42
Summary Schedule of Prior Audit Findings	43





Certified Public Accountants

A. Braddock Brawner, CPA
W. T. Vanstory, CPA
Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

Christopher D. Murphy, CPA
Brenda G. Nichols, CPA

512 Taylor Street
AmSouth Bank Building
Post Office Box 458
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

106 South First Street
Post Office Box 540
Booneville, Mississippi 38829
Telephone (662) 728-6172
Fax (662) 728-6176

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

Superintendent and School Board
Pontotoc County School District

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Pontotoc County School District as of and for the year ended June 30, 2005, which collectively comprise the Pontotoc County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pontotoc County School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Pontotoc County School District at June 30, 2005, 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 a report dated September 1, 2005, on our consideration of the Pontotoc County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe a scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 and the Budgetary Comparison Schedules and corresponding notes on pages 31 through 33 are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pontotoc County School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not

a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures, Governmental Funds is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brauner, Venetony & Co. P.A.

September 1, 2005
Booneville, Mississippi

PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of the Pontotoc County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,042,156, which represents a 16.09% increase from fiscal year 2004. After meeting the needs of the students, the District was conservative with expenditures for FY 2005 in anticipation of capital building projects.
- General revenues account for \$15,908,804 in revenue, or 80.29% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,905,197 or 19.71% of total revenues.
- The District had \$18,825,088 in expenses; only \$3,905,197 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$15,908,804 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,706,525 in revenues and \$15,098,650 in expenditures. The General Fund's fund balance increased \$325,549 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$644,065. This increase was due primarily to the addition of \$537,501 in construction in progress for the North Pontotoc and South Pontotoc building projects and the acquisition of ten leased buses in the amount of \$512,950.
- Long-term debt decreased by \$86,129, which included a new debt issue of \$513,806 and planned debt reduction of \$605,007.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

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

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

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 14 and 16, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 17.

PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

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 on pages 18-30 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 31-33 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$7,517,549 as of June 30, 2005, which represents an 16.09% increase from fiscal year 2004. (See Table 1.)

By far the largest portion of the District's net assets (61.96%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 provides a summary of the District's net assets for 2005 compared to 2004:

Table 1
Condensed Statement of Net Assets

	2005	2004	Total Percent Change 2004-2005
Current assets	\$ 3,223,309	3,081,435	4.60%
Capital assets, net	9,018,441	8,374,376	7.69%
Total Assets	12,241,750	11,455,811	6.86%
Current liabilities	209,280	379,368	-44.83%
Long-term debt outstanding	4,514,921	4,601,050	-1.87%
Total Liabilities	4,724,201	4,980,418	5.14%
Net assets:			
Invested in capital assets, net of related debt	4,658,020	3,922,754	18.74%
Restricted	879,905	931,545	-14.6%
Unrestricted	1,979,624	1,621,094	19.77%
Total net assets	\$ 7,517,549	\$ 6,475,393	16.09%

PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

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

- Increase in capital assets of \$537,501 due to construction.
- Increase in capital assets of \$512,950 due to the acquisition of ten leased buses.
- New debt in the amount of \$513,806 was issued.
- \$605,007 of long-term debt was retired.

Changes in net assets. The District's total revenues increased 4.81% to \$19,814,001. (See Table 2.) State revenues accounted for most of the District's revenue contributing about 66 cents of every dollar raised. (See Figure 1.) Another 13% came from property taxes, 14 % from operating grants and contributions, and the remainder from fees charged for services, interest earnings, federal revenue and other sources.

The total cost of all programs and services rose 0.59% to \$18,825,088. The District's expenses are predominantly related to educating students 63%. (See Figure 2.)

Total revenues surpassed expenses, increasing net assets \$1,042,156 over last year.

Table 2 shows the changes in net assets for fiscal year 2005 compared to 2004:

	Changes in Net Assets		Total Percentage
	<u>2005</u>	<u>2004</u>	<u>Change 2004-2005</u>
Revenues:			
Program revenues	\$ 3,905,197	\$ 3,894,672	0.27%
General revenues	15,908,804	15,010,395	5.99%
Total revenues	<u>19,814,001</u>	<u>18,905,067</u>	4.81%
Expenses:			
Instruction	\$ 11,860,285	\$ 11,670,651	1.62%
Support services	5,526,600	5,731,092	-3.57%
Non-instructional	1,242,377	1,109,807	11.95%
Interest on long-term liabilities	195,826	202,606	-3.35%
Total expenses	<u>\$ 18,825,088</u>	<u>\$ 18,714,156</u>	0.59%
Extraordinary items	<u>53,243</u>	<u>928,938</u>	-94.27%
Increase in net assets	<u><u>1,042,156</u></u>	<u><u>1,119,849</u></u>	-6.95%

PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

Figure 1
Sources of Revenues for Fiscal Year 2005

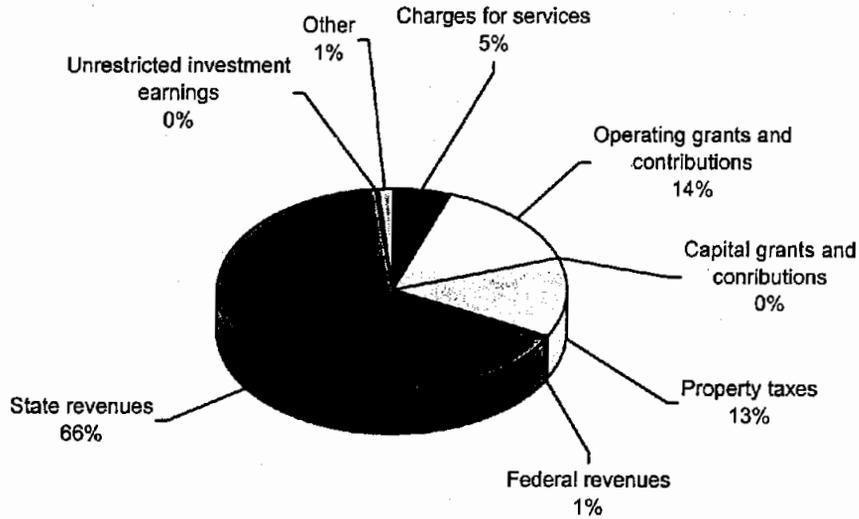
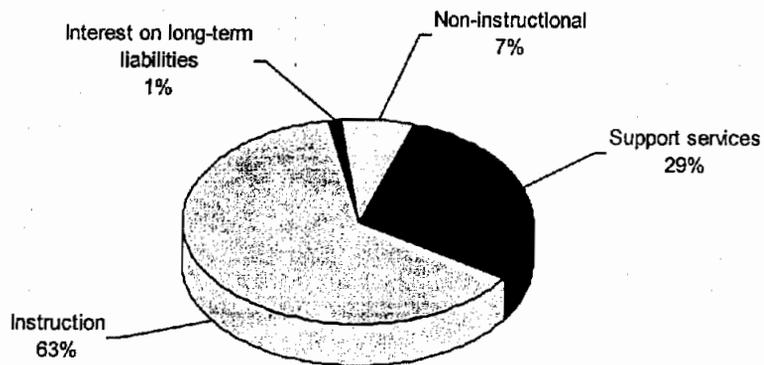


Figure 2
Expenses for Fiscal Year 2005



PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

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

Net Cost of Governmental Activities

	Total Expenses		Percentage Change 2004-2005	Net (Expense) Revenue		Percentage Change 2004-2005
	2005	2004		2005	2004	
Instruction	\$ 11,860,285	\$ 11,670,651	1.62%	\$ (9,928,316)	\$ (9,457,321)	4.98%
Support services	5,526,600	5,731,092	-3.57%	(4,837,234)	(5,145,685)	-5.99%
Non-instructional	1,242,377	1,109,807	11.95%	41,485	(13,872)	-399.06%
Interest on long-term liabilities	195,826	202,606	-3.35%	(195,826)	(202,606)	-3.35%
Total expenses	<u>\$ 18,825,088</u>	<u>\$ 18,714,156</u>	0.59%	<u>\$ (14,919,891)</u>	<u>\$ (14,819,484)</u>	0.68%

- Net cost of governmental activities \$14,919,891 was financed by general revenue, which is made up of primarily property taxes \$2,547,877 and state revenue of \$12,948,927.
- Investment earnings accounted for \$33,146 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,105,601, an increase of \$307,045. \$1,979,624 or 64% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,125,977 or 33% is reserved or designated to indicate that it is not available for spending because it has already been committed for specified purposes.

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 \$325,549.

PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget.

- Original Budget amounts for General Fund included revenue and expenditures for the Vocational Education Fund.
- Original Budget amounts for General Fund support services expenditures did not include the acquisition of ten leased buses in the amount of \$512,950.
- Budgeted amounts for facilities acquisition and construction expenditures were decreased due primarily to school construction being delayed until the next fiscal year.
- Original Budget amounts for General Fund other financing sources did not include inception of capital leases in the amount of \$513,806.
- Actual expenditures were below budget, primarily because the District budgets from fund balance for unplanned expenditures (contingency). The District didn't spend the entire contingency amount.
- Budget amounts for General Fund operating transfers in and out were increased to show additional transfer to the General Building & Improvement Fund in the amount of \$210,000.
- Budget amounts for Vocational Education Fund underestimated state revenue for equipment and supplies.
- Budgeted amounts for Building Project Addition 03 Fund noninstructional services expenditures were decreased due primarily to school food service repairs being delayed until the next fiscal year.
- Budget amounts for Building Project Addition 03 Fund operating transfers in was increased to show additional transfer from the General Fund in the amount of \$400,000.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District had invested \$9,018,441 in a broad range of capital assets, including land, school buildings, buses, other school vehicles and furniture and equipment. (See Table 4.) This amount represents a net increase of \$644,065, or 7.69%, from the previous year. The increase was mainly due to the addition of \$537,501 in construction in progress for the North Pontotoc and South Pontotoc building projects and the acquisition of ten leased buses in the amount of \$512,950. Total accumulated depreciation as of June 30, 2005 was \$5,257,482 and total depreciation expense for the year was \$448,920, resulting in total net assets of \$9,018,441.

PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

Table 4 shows fiscal 2005 compared to 2004:

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

	2005	2004	Total Percentage Change 2004-2005
Land	\$ 91,603	\$ 91,603	0.00%
Construction in progress	41,352	483,751	-91.45%
Buildings	7,376,186	6,604,346	11.69%
Building Improvements	115,819	121,084	-4.35%
Improvements other than buildings	147,115	155,584	-5.44%
Mobile Equipment	546,588	670,020	-18.42%
Furniture and equipment	139,010	149,183	-6.82%
Leased property under capital leases	560,768	98,805	467.55%
Totals	<u>\$ 9,018,441</u>	<u>\$ 8,374,376</u>	7.69%

Additional information of the District's capital assets can be found in Note 4 on page 25 of this report.

Debt Administration. At June 30, 2005, the District had \$4,514,921 in general obligation bonds and other long-term debt outstanding, of which \$591,559 is due within one year. Table 5 shows fiscal 2005 compared to 2004:

Table 5
Outstanding Long-Term Debt at June 30

	2005	2004	Total Percentage Change 2004-2005
Limited obligation bonds payable	\$ 1,030,000	\$ 1,255,000	-17.93%
Three-mill notes payable	2,679,027	2,897,204	-7.53%
Transportation equipment notes payable		83,413	-100.00%
Obligations under capital leases	651,394	216,005	201.56%
Compensated absences payable	154,500	149,428	3.39%
Totals	<u>\$ 4,514,921</u>	<u>\$ 4,601,050</u>	-1.87%

Additional information of the District's long-term debt can be found in Note 5 on page 26 of this report.

CURRENT ISSUES

The Pontotoc County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has increased 1 mill from 2004 to 2005. 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.

Latest enrollment figures indicate that student enrollment in the District will increase by 139 students. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Pontotoc County School District, 285 Hwy 15 By-Pass South, Pontotoc, MS 38863

PONTOTOC COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 2)	\$ 2,451,021
Restricted Investments (Note 2)	29,347
Due from other governments	704,297
Inventories and prepaid items	38,644
Capital Assets, net (Note 4)	9,018,441
Total Assets	12,241,750
LIABILITIES	
Accounts payable and accrued liabilities	112,436
Deferred Revenue	5,272
Interest Payable on Long Term Debt	91,572
Long Term Liabilities (due within one year) (Note 5)	
Capital Related Liabilities	591,559
Long Term Liabilities (due beyond one year) (Note 5)	
Capital Related Liabilities	3,768,862
Non-capital Liabilities	154,500
Total Liabilities	4,724,201
NET ASSETS	
Invested in capital assets, net of related debt	4,658,020
Restricted Net Assets	
Expendable:	
Federal and State Programs	47,645
Inventory	38,644
Food Service	171,218
Debt Service	102,358
Other Purposes	520,040
Unrestricted	1,979,624
Total Net Assets	7,517,549
Total Liabilities and Net Assets	\$ 12,241,750

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

EXHIBIT B

PONTOTOC COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
Governmental Activities					
Instruction	\$ 11,860,285	561,469	1,361,281	9,219	(9,928,316)
Support services	5,526,600	-	689,366	-	(4,837,234)
Noninstructional services	1,242,377	488,229	795,633	-	41,485
Interest on long-term debt	195,826	-	-	-	(195,826)
Total Governmental Activities	\$ 18,825,088	1,049,698	2,846,280	9,219	(14,919,891)

General Revenues:

Taxes:

General purpose levies	2,295,633
Debt purpose levies	252,244

Unrestricted grants and contributions

State	12,948,927
Federal	101,771
Unrestricted investment earnings	33,146
Other	277,083

Total General Revenues 15,908,804

Extraordinary items 53,243

Total General Revenues, Special Items, Extraordinary
Items and Transfers 15,962,047

Change in Net Assets 1,042,156

Net Assets-Beginning 6,475,393

Net Assets-Ending \$ 7,517,549

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

Pontotoc County School District
Balance Sheet - Governmental Funds
June 30, 2004

	Major Funds			Other Governmental Funds	Total (Memorandum Only)
	General Funds	Vocational Fund	Building Project Addition Fund		
ASSETS					
Cash and cash equivalents (Note 2)	\$ 2,171,235	-	107,808	171,978	2,451,021
Restricted cash with fiscal agent (Note 2)	-	-	-	-	-
Restricted Investments (Note 2)	-	-	-	29,347	29,347
Due from other governments	215,391	143,259	-	345,647	704,297
Other receivables, net	-	-	-	-	-
Due from other funds (Note 3)	318,397	-	400,000	100,686	819,083
Inventory of food	-	-	-	38,644	38,644
Total Assets	<u>2,705,023</u>	<u>143,259</u>	<u>507,808</u>	<u>686,302</u>	<u>4,042,392</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued liabilities	107,714	258	-	4,464	112,436
Due to other funds (Note 3)	501,239	140,401	-	177,443	819,083
Deferred revenue	-	2,600	-	2,672	5,272
Total Liabilities	<u>608,953</u>	<u>143,259</u>	<u>-</u>	<u>184,579</u>	<u>936,791</u>
Fund Balances					
Reserved for:					
Inventory	-	-	-	38,644	38,644
Ad Valorem	116,446	-	-	-	116,446
Federal and state programs	-	-	-	47,645	47,645
Capital projects	-	-	507,808	-	507,808
Debt Services	-	-	-	187,964	187,964
Other Purposes	-	-	-	227,470	227,470
Unreserved:					
Undesignated reported in:					
General Fund	1,979,624	-	-	-	1,979,624
Total Fund Balances	<u>2,096,070</u>	<u>-</u>	<u>507,808</u>	<u>501,723</u>	<u>3,105,601</u>
Total Liabilities and Fund Balances	<u>\$ 2,705,023</u>	<u>143,259</u>	<u>507,808</u>	<u>686,302</u>	<u>4,042,392</u>

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

Pontotoc County School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2005

	<u>Amount</u>
Total Fund Balance-Governmental Funds	\$ 3,105,601
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities, are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$5,257,482 (Note 4)	9,018,441
2. Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. (Note 5)	(4,514,921)
3. Accrued interest on debt are not due and payable in the current period and therefore are not reported in the funds.	<u>(91,572)</u>
Total Net Assets - Governmental Activities	<u>\$ 7,517,549</u>

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

Pontotoc County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended June 30, 2005

	Major Funds				Total (Memorandum Only)
	General	Vocational	Building	Other	
	Funds	Fund	Project Addition Fund	Governmental Funds	
Revenues					
Local sources	\$ 3,073,272	131,713	2,891	752,873	3,960,749
State sources	12,530,907	727,832	-	412,228	13,670,967
Federal sources	102,346	53,245	-	2,025,475	2,181,066
Total Revenues	15,706,525	912,790	2,891	3,190,576	19,812,782
Expenditures					
Instruction	9,945,196	869,871	-	795,092	11,610,159
Support services	5,013,734	339,599	21,836	498,484	5,873,653
Noninstructional services	5,006	-	28,486	1,227,397	1,260,889
Facilities acquisition and construction	33,666	-	503,835	-	537,501
Principal	81,417	-	-	523,590	605,007
Interest	19,631	-	-	181,110	200,741
Other				550	550
Total Expenditures	15,098,650	1,209,470	554,157	3,226,223	20,088,500
Excess of Revenues Over (Under)					
Expenditures	607,875	(296,680)	(551,266)	(35,647)	(275,718)
Other Financing Sources (Uses)					
Insurance loss recoveries			53,243		53,243
Inception of capital leases	513,806	-	-	-	513,806
Sale of transportation	553				553
Operating transfers in	340,183	296,680	400,000	111,386	1,148,249
Operating transfers out	(1,136,868)	-	-	(11,381)	(1,148,249)
Total Other Financing Sources (Uses)	(282,326)	296,680	453,243	100,005	567,602
Net Change in Fund Balance	325,549	-	(98,023)	64,358	291,884
Fund Balances, July 1, 2004	1,770,521	-	605,831	422,204	2,798,556
Increase in reserve for inventory	-	-	-	15,161	15,161
Fund Balance, June 30, 2005	\$ 2,096,070	-	507,808	501,723	3,105,601

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

Pontotoc County 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, 2005

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 291,884
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$1,093,055 and the depreciation expense amounted to \$448,920. (Note 4)	644,135
2. Proceeds of long-term liabilities are reported in the governmental funds, but not in the statement of activity. (Note 5)	(513,806)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 5)	605,007
4. Decrease in accrued interest is reported as an adjustment to interest expense in the statement of activity.	4,917
5. Increase in compensated absences is reported as an adjustment to support services and noninstructional services.	(5,072)
6. Losses on disposition of assets	(70)
7. Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activities.	15,161
Change in Net Assets of Governmental Activities	\$ 1,042,156

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

PONTOTOC COUNTY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents (Note 2)	<u>\$ 655,595</u>
TOTAL ASSETS	<u><u>655,595</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	586,016
Due to clubs	<u>69,579</u>
TOTAL LIABILITIES	<u><u>\$ 655,595</u></u>

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

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board, which each member was elected by the citizens of each defined county district.

B. Basis of Presentation

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies that extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which is reported when due.

The school district reports the following major governmental funds:

General Fund -- This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Vocational Fund -- This fund accounts for the operation of the vocational center.

Building Project Addition Fund -- This fund accounts for proceeds of general obligation debt and costs of construction.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit C.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) Summary of Significant Accounting Policies (Continued)

E. Encumbrances

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

F. Cash and Cash Equivalents

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.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. 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 a maturity greater than 12 months when acquired.

H. Inventories and Prepaid Items

Donated inventories are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

	Capitalization Policy	Estimated Useful Life
Land	\$ -	-
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 (4) for details.

J. Long-term liabilities

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. (See Note (5) for details).

K. Interfund Transactions and Balances

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note (3) for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications

Government-Wide Financial Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) Summary of Significant Accounting Policies (Continued)

L. Equity Classifications (Continued)

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

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

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations.

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues

Revenues from the 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.

O. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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 long-term liabilities 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 only the compensated absence liability payable from expendable available financial resources.

(2) Cash and Cash Equivalents, and Investments

The collateral for public entities' 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 Depository Insurance Corporation.

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(2) Cash and Cash Equivalents, and Investments - Continued

The carrying amount of the school district's deposits with financial institutions in the governmental funds and fiduciary funds was \$2,451,021 and \$655,595 respectively. The carrying amount of deposits reported in the government-wide financial was: Cash and Cash Equivalents - \$2,451,021. The bank balance was \$3,990,179.

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 formal policy for custodial risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits over 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, 2005, none of the district's bank balance was exposed to custodial credit risk.

Investments

As of June 30, 2005, the district has the following investments. All investments are in an internal investment pool.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Mutual Fund	Less than 1	\$ 29,347	AAA
Total Investments		<u>\$ 29,347</u>	

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 a financial institutions failure, 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, 2005, none of the district's investment balance was exposed to custodial credit risk.

Concentration of Credit

Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirements 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. As of June 30, 2005, the district did not have any of these investments.

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(3) Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Major Funds:		
General fund	\$ 318,397	501,239
Other Major Funds		
Vocational Fund	-	140,401
Building project	400,000	
Other Governmental Funds	100,686	177,443
Total Funds	819,083	819,083

Temporary loans were made until funds were received from grantors.

B. Transfers In/Out

	Transfers In	Transfers Out
Major Funds:		
General Fund	340,183	1,136,868
Building Project Addition Fund	400,000	
Vocational Funds	296,680	-
Other Governmental Funds	111,386	11,381
Total Funds	\$ 1,148,249	1,148,249

\$11,381 was transferred out of PL-94-142 \$3,425 and Title I \$7,956 for indirect cost. \$1,136,868 was transferred out of District Maintenance to other funds for operation.

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(4) Capital Assets

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

	Balance 7/1/2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2005
<u>Non-depreciable capital</u>						
Land	\$ 91,603	-	-	-	-	91,603
Construction in progress	483,751	537,501	-	(979,900)	-	41,352
Total non-depreciable	575,354	537,501	-	(979,900)	-	132,955
<u>Depreciable capital assets:</u>						
Buildings	9,423,114	-	-	979,900	-	10,403,014
Building Improvements	131,613	-	-	-	-	131,613
Improvements other than buildings	243,735	-	-	-	-	243,735
Mobile equipment	2,137,884	-	6,950	-	-	2,130,934
Furniture and equipment	574,491	42,604	-	-	-	617,095
Leased property under capital leases	103,627	512,950	-	-	-	616,577
Total depreciable capital	12,614,464	555,554	6,950	979,900	-	14,142,968
Less accumulated						
<u>Depreciation</u>						
Buildings	2,818,768	208,060	-	-	-	3,026,828
Building improvements	10,529	5,265	-	-	-	15,794
Improvements other than buildings	88,151	8,469	-	-	-	96,620
Mobile equipment	1,467,864	123,362	6,880	-	-	1,584,346
Furniture and equipment	425,308	52,777	-	-	-	478,085
Leased property under capital leases	4,822	50,987	-	-	-	55,809
Total accumulated depreciation	4,815,442	448,920	6,880	-	-	5,257,482
Total depreciable capital assets, net	7,799,022	106,634	70	979,900	-	8,885,486
Governmental activities capital assets, net	<u>\$ 8,374,376</u>	<u>644,135</u>	<u>70</u>	<u>-</u>	<u>-</u>	<u>9,018,441</u>

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(4) Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 258,034
Support services	184,314
Non-instructional	6,572
Total depreciation expense	\$ 448,920

(5) Long-term liabilities

The following is a summary of changes in general long-term debt and other obligations:

	Balance 7/1/2004	Additions	Reductions	Balance 6/30/2005	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,255,000	-	225,000	1,030,000	230,000
B. Three-mill notes payable	2,897,204	-	218,177	2,679,027	229,789
C. Transportation equipment notes payable	83,413	-	83,413	-	-
D. Obligations under capital leases	216,005	513,806	78,417	651,394	131,770
E. Compensated absences payable	149,428	14,484	9,412	154,500	-
	\$ 4,601,050	528,290	614,419	4,514,921	591,559

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(5) Long-term liabilities (Continued)

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvements	5.62-5.7%	3/19/87	3/2010	\$ 2,375,000	1,030,000
Total				<u>\$ 2,375,000</u>	<u>1,030,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2006	230,000	43,775	273,775
2007	240,000	34,000	274,000
2008	255,000	23,800	278,800
2009	265,000	12,963	277,963
2010	40,000	1,700	41,700
	<u>\$ 1,030,000</u>	<u>116,238</u>	<u>1,146,238</u>

This debt will be retired from the MAEP Note fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP retirement fund.

B. Three-mill notes payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note	5.50%	3/1/96	3/1/06	\$ 800,000	99,332
Three Mill Note	4.94%	5/1/00	5/1/06	395,000	131,167
Three Mill Note	4.65%	5/1/01	5/25/11	450,000	292,528
Three Mill Note	Various	10/1/02	10/1/17	2,200,000	2,156,000
				<u>\$ 3,845,000</u>	<u>2,679,027</u>

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(5) Long-term liabilities (Continued)

B. Three-mill ten-year notes payable (Continued).

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

Year Ending June 30,	Principal	Interest	Total
2006	\$ 229,788	112,797	342,585
2007	136,986	102,680	239,666
2008	121,748	96,813	218,561
2009	189,995	91,977	281,972
2010	197,320	84,472	281,792
2011-2015	1,037,190	299,383	1,336,573
2016-2018	766,000	65,959	831,959
Total	<u>\$ 2,679,027</u>	<u>854,081</u>	<u>3,533,108</u>

This debt will be retired from the 2001 Note Fund and 1996 Construction Note Fund., computer labs fund and district maintenance.

C. Transportation equipment loans payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Transportation Notes 1998	4.60%	7/1/1998	7/1/2004	\$ 455,000	-
Total				<u>\$ 455,000</u>	<u>-</u>

D. Obligations under capital leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of: Relocatable Classrooms and Buses.

The various options available to the lessee for this lease are as follows:

At the end of the primary lease period, title passes to the school district for all the above leased property.

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

Year Ending June 30,	Principal	Interest	Total
2006	\$ 131,770	22,139	153,909
2007	136,521	17,387	153,908
2008	141,445	12,465	153,910
2009	146,545	7,364	193,909
2010	95,113	2,080	97,193
Total	<u>\$ 651,394</u>	<u>61,435</u>	<u>752,829</u>

The school district uses the straight-line method of amortization for the lease payments, which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the District Maintenance Fund.

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

E. Compensated absences payable.

As more fully explained in Note 1 (O), 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 employee's were paid.

(7) 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 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 information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Pontotoc County School District's contributions to PERS for the years ending June 30, 2005, 2004, and 2003, were \$1,085,537 \$1,052,267, and \$972,879, respectively, equal to the required contributions for each year.

(8) 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. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school district and 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 MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(9) Contingencies

The school district receives Federal Grants for specific purposes that are subject to review and audit by Federal agencies. Such audits could result in a request for reimbursement by the Federal agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the school district, such disallowances, if any, would not be significant to the district's financial statements.

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(10) Litigation

The district is subject to an old federal court order involving religious expression.

(11) Vocational Education Consortium

The school district entered into a Vocational Education Agreement dated January 31, 1984 creating the Pontotoc Ridge Career and Technical Center. This center was created pursuant to the provisions of Section 37-31-73, Mississippi Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Pontotoc County School District and the Pontotoc City School District.

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

Statement of Revenues, Expenditures and Changes in Fund Balance – Vocational Funds
For the Year Ended June 30, 2005

Revenues

Local Sources

Tuition from other LEA's within the state:

Pontotoc City School District

\$ 131,713

Total tuition from other LEA's within the state

131,713

Total local sources

131,713

State sources

727,832

Federal sources

53,245

Total Revenues

912,790

Expenditures

Salaries

835,125

Employee benefits

227,272

Purchased property services

56,092

Other purchased services

2,957

Supplies

32,837

Property

55,187

Total Expenditures

1,209,470

Excess (Deficiency) of Revenues Over Expenditures

(296,680)

Other Financing Sources (Uses)

Operating transfers in

296,680

Total Financing Sources (Uses)

296,680

Net Change in Fund Balance

-

Fund Balance:

July 1, 2004

-

June 30, 2005

-

Pontotoc County School District
 Budgetary Comparison for the General Fund
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual GAAP Basis	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local Sources	\$ 3,239,699	3,073,272	3,073,272	(166,427)	-
State Sources	12,386,510	12,530,907	12,530,907	144,397	-
Federal Sources	84,100	102,346	102,346	18,246	-
Total Revenues	<u>15,710,309</u>	<u>15,706,525</u>	<u>15,706,525</u>	<u>(3,784)</u>	<u>-</u>
Expenditures					
Instruction	12,347,337	9,945,196	9,945,196	2,402,141	-
Support Services	5,662,540	5,013,734	5,013,734	648,806	-
Noninstructional services	14,000	5,006	5,006	8,994	-
Facilities Acquisition and Construction	198,500	33,666	33,666	164,834	-
Debt Service:					
Principal	110,784	101,048	81,417	9,736	-
Interest	7,692	-	19,631	7,692	-
Total Expenditures	<u>18,340,853</u>	<u>15,098,650</u>	<u>15,098,650</u>	<u>3,242,203</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,630,544)</u>	<u>607,875</u>	<u>607,875</u>	<u>3,238,419</u>	<u>-</u>
Other Financing Sources (Uses)					
Inception of Capital Leases		513,806	513,806	513,806	-
Sale of Transportation Equipment		553	553	553	-
Operating Transfers In	201,905	340,183	340,183	138,278	-
Operating Transfers Out		(1,136,868)	(1,136,868)	(1,136,868)	-
Total Other Financing Sources (Uses)	<u>201,905</u>	<u>(282,326)</u>	<u>(282,326)</u>	<u>(484,231)</u>	<u>-</u>
Net Change in Fund Balance	<u>(2,428,639)</u>	<u>325,549</u>	<u>325,549</u>	<u>2,754,188</u>	<u>-</u>
Fund Balances					
July 1, 2004	<u>1,770,521</u>	<u>1,770,521</u>	<u>1,770,521</u>	<u>-</u>	<u>-</u>
June 30, 2005	<u>\$ (658,118)</u>	<u>2,096,070</u>	<u>2,096,070</u>	<u>2,754,188</u>	<u>-</u>

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

Pontotoc County School District
Budgetary Comparison Schedule for Vocational Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Act
Revenues					
Local Sources	\$ 119,431	131,713	131,713	12,282	-
State Sources	689,114	728,832	727,832	38,715	-
Federal Sources	53,250	53,245	53,245	(5)	-
Total Revenues	<u>861,795</u>	<u>913,790</u>	<u>912,790</u>	<u>50,992</u>	<u>-</u>
Expenditures					
Instruction	899,450	869,871	869,871	29,579	-
Support Services	349,661	339,599	339,599	10,062	-
Total Expenditures	<u>1,249,111</u>	<u>1,209,470</u>	<u>1,209,470</u>	<u>39,641</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(387,316)</u>	<u>(296,680)</u>	<u>(296,680)</u>	<u>90,636</u>	<u>-</u>
Other Financial Sources (Uses)					
Operating Transfers In	265,560	296,680	296,680	31,120	-
Total Other Financing Sources (Uses)	<u>265,560</u>	<u>296,680</u>	<u>296,680</u>	<u>31,120</u>	<u>-</u>
Net Change in Fund Balance	<u>(121,756)</u>	<u>-</u>	<u>-</u>	<u>121,756</u>	<u>-</u>
Fund Balances:					
July 1, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2005	<u>\$ (121,756)</u>	<u>-</u>	<u>-</u>	<u>121,756</u>	<u>-</u>

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

**PONTOTOC COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005**

(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 the date established by the Mississippi Department of Education. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

PONTOTOC COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Non-cash Assistance:		
Food Donation	10.550	\$ 68,441
Child Nutrition Cluster		
School breakfast program	10.553	72,743
National school lunch program	10.555	567,511
Total Child Nutrition Cluster		640,254
Fresh Fruit and Vegetable Program	10.582	52,431
Total Passed-through MDE		761,126
Total U.S. Department of Agriculture		761,126
U.S. Department of Labor		
Passed-through Three Rivers Planning and Development District:		
Workforce Investment Act Youth Activities	17.259	113,469
Total Passed-through Three Rivers Planning and Development District		113,469
Total U.S. Department of Labor		113,469
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Special Education Cluster		
Special education - grants to states	84.027	420,725
Special education - preschool grants	84.173	3,926
Total Special Education Cluster		424,651
Grants for State Assessments and Related Activities	84.369	1,331
Title I grants to local educational agencies	84.010	421,465
State grants for innovative programs	84.298	14,708
Improving teacher quality - state grants	84.367	161,790
Education technology - state grants	84.318	18,219
Vocational education - basic grants to states	84.048	53,245
English language acquisition grant	84.365	25,872
Safe and drug-free schools and communities - state grants	84.186	14,123
Total Passed-through MDE		1,135,404
Total U.S. Department of Education		1,135,404
Total for All Federal Awards		\$ 2,009,999

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.

Pontotoc County School District
Schedule of Instructional, Administrative and Other Expenses- Governmental Funds
June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instructional</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 14,841,268	10,606,445	1,487,741	2,747,082
Other	5,247,232	1,003,714	304,020	3,939,498
Total	<u>\$ 20,088,500</u>	<u>11,610,159</u>	<u>1,791,761</u>	<u>6,686,580</u>
Total Number of Students *	<u>3,005</u>			
Cost per Student	<u>\$ 6,685</u>	<u>3,864</u>	<u>596</u>	<u>2,225</u>

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

Instruction—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—all the 1000 functional codes.

Administrative—includes expenditures for the following functions: Support Services General Administration (2300s); Support Services—School Administration (2400s); Support Services—Business (2500s)

Other – includes all expenditure functions not included in instruction of administrative.

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



Certified Public Accountants

A. Braddock Brawner, CPA
W. T. Vanstory, CPA
Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

Christopher D. Murphy, CPA
Brenda G. Nichols, CPA

512 Taylor Street
AmSouth Bank Building
Post Office Box 438
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

106 South First Street
Post Office Box 540
Booneville, Mississippi 38829
Telephone (662) 728-6172
Fax (662) 728-6176

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

Superintendent and School Board
Pontotoc County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pontotoc County School District as of and for the year ended June 30, 2005, which collectively comprise the Pontotoc County School District's basic financial statements and have issued our report thereon dated September 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pontotoc County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pontotoc County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements 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 did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Brauner, Vanstey + C.P.A.

September 1, 2005
Booneville, Mississippi



Certified Public Accountants

A. Braddock Brawner, CPA
W. T. Vanstory, CPA
Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

Christopher D. Murphy, CPA
Brenda G. Nichols, CPA

512 Taylor Street
AmSouth Bank Building
Post Office Box 458
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

106 South First Street
Post Office Box 540
Booneville, Mississippi 38829
Telephone (662) 728-6172
Fax (662) 728-6176

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Superintendent and School Board
Pontotoc County School District

Compliance

We have audited the compliance of the Pontotoc County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Pontotoc County School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on 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 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 Pontotoc County School District's compliance with those requirements.

In our opinion, Pontotoc County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Pontotoc County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Brauner, Vansteyn & Co. P.A.

September 1, 2005
Booneville, Mississippi



**BRAWNER
VANSTORY
& COMPANY, P.A.**

Certified Public Accountants

A. Braddock Brawner, CPA
W. T. Vanstory, CPA
Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

Christopher D. Murphy, CPA
Brenda G. Nichols, CPA

512 Taylor Street
AmSouth Bank Building
Post Office Box 458
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

106 South First Street
Post Office Box 540
Booneville, Mississippi 38829
Telephone (662) 728-6172
Fax (662) 728-6176

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

Superintendent and School Board
Pontotoc County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pontotoc County School District as of and for the year ended June 30, 2005, which collectively comprise the Pontotoc County School District's basic financial statements, and have issued our report thereon dated September 1, 2005. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-91-33(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 an 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 \$43,308 of classroom supply funds carried over from previous years.

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

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

Brauner, Vanstory & Co. P.A.

September 1, 2005
Booneville, Mississippi

**PONTOTOC COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditors' report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|----|---|-------------|
| 4. | Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |

Cluster: Child Nutrition

CFDA #10.553

CFDA #10.555

Cluster: Special Education

CFDA #84.027

CFDA#84.173

**PONTOTOC COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Section 1: Summary of Auditors' Results (Continued)

- | | | |
|-----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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



John A. Simmons

Superintendent of Education

Email: jjsimmons@pcsd.k12.ms.us

PONTOTOC COUNTY SCHOOL DISTRICT

"Service is the Rent We Pay For Our Existence"

285 Highway 15 By-Pass South

Pontotoc, Mississippi 38863

Phone (662) 489-3932

Fax (662) 489-3922

PRIOR AUDIT FINDINGS

As required by Section 315(c) of OMB A-133, the Pontotoc County School District has prepared and hereby submits the following corrective action plan as of June 30, 2005:

FINDING	STATUS
2004-1	The district has put procedures in place to monitor requests for reimbursement to insure receives reimbursements timely and in correct amounts.

