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, 2006

PONTOTOC COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2006

	Page
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information	1-2
Management's Discussion and Analysis	3-12
Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Fiduciary Net Assets	19
Notes to Financial Statements	20-33
Required Supplementary Information	
Budgetary Comparison for Major Funds	34-37
Notes to Required Supplementary Information	38
Supplemental Information	
Schedule of Expenditures of Federal Awards	39
Schedule of Instructional, Administrative and Support Service Expenditures	40
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 *Government Auditing Standards*	41-42
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	43-44
Independent Auditors' Report on Compliance with State Laws and Regulations	45
Schedule of Findings and Questioned Costs	46-47
Auditee's Corrective Action Plan	48

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 THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Pontotoc County School District

We have audited the accompany 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, 2006, 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, 2006, and the respective changes in financial position, thereof for the year then ended inconformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 27, 2007, 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 12 and the Budgetary Comparison Schedules and corresponding notes on pages 34 through 37 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.

Brawner, Vanstary & Co. P.A.

March 27, 2007
Booneville, Mississippi

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, 2006. 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 $666,609, which represents a 8.87% increase from fiscal year 2005. After meeting the needs of the students, the District was conservative with expenditures for FY 2006 in anticipation of capital building projects.

- General revenues account for $17,378,342 in revenue, or 79.43% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,500,697 or 20.57% of total revenues.

- The District had $21,176,968 in expenses; only $4,500,697 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $17,378,343 were adequate to provide for these programs.

- Among major funds, the General Fund had $17,242,993 in revenues and $16,477,196 in expenditures. The General Fund's fund balance increased $874,125 over the prior year.

- Capital assets, net of accumulated depreciation, decreased by $42,605.

- Long-term debt decreased by $179,171, which included a new debt issue of $389,591 and planned debt reduction of $591,814.

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.

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 13-14 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 that 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 16 and 18, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts.* Information is presented separately in the governmental fund 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 15 and 17 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 19.

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 pages23-33 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 34-37of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 39 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 $8,184,158 as of June 30, 2006, which represents an 10.30% increase from fiscal year 2005. (See Table 1.)

By far the largest portion of the District's net assets (62.80%) 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 2006 compared to 2005:

Table 1
Condensed Statement of Net Assets

	2006	2005	Total Percentage Change 2005-2006
Current assets	$ 3,970,968	$ 3,223,309	23.20%
Capital assets, net	8,975,836	9,018,441	-0.47%
Total Assets	**12,946,804**	**12,241,750**	**5.76%**
Current liabilities	426,896	209,280	103.98%
Long-term debt outstanding	4,335,750	4,514,921	-3.97%
Total Liabilities	**4,762,646**	**4,724,201**	**.08%**
Net assets:			
Invested in capital assets, net of related debt	5,207,228	4,658,020	11.79%
Restricted	573,876	879,905	-34.78%
Unrestricted	2,403,054	1,979,624	21.39%
Total net assets	**$ 8,184,158**	**$ 7,517,549**	**8.87%**

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

- Capital asset additons for the year totaled $444,473, including construction of $297,756 and a new bus $72,500.
- New debt in the amount of $389,591 was issued.
- $591,814 of long-term debt was retired.

Changes in net assets. The District's total revenues increased 10.42% to $21,879,039. (See Table 2.) State revenues accounted for most of the District's revenue contributing about 65 cents of every dollar raised. (See Figure 1.) Another 13% came from property taxes, 15% 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 12.01% to $21,176,968. The District's expenses are predominantly related to educating students 63%. (See Figure 2.)

Total revenues surpassed expenses, increasing net assets $666,609 over last year.

Table 2 shows the changes in net assets for fiscal year 2006 compared to 2005:

Table 2
Changes in Net Assets

		2006	2005	Total Percentage Change 2005-2006
Revenues:				
Program revenues				
Charges for services	$	1,131,065	1,049,698	7.75%
Operating grants and contracts		3,297,132	2,846,280	15.84%
Capital grants and contracts		72,500	9,219	686.42%
General revenues:				
Property taxes		2,828,572	2,547,877	11.02%
Grants and contracts not restricted		14,218,943	13,050,698	8.95%
Other		330,827	310,229	6.64%
Total revenues		21,879,039	19,814,001	10.42%
Expenditures:				
Instruction		13,303,740	11,860,285	12.17%
Support services		6,380,751	5,526,600	15.46%
Non-instructional		1,317,580	1,242,377	6.05%
Interest on long-term liabilities		174,897	195,826	-10.69%
		21,176,968	18,825,088	12.49%
Extraordinary items		-	53,243	-100.00%
Increase in net assets	$	702,071.00	1,042,156	-32.63%

Figure 1
Sources of Revenues for Fiscal Year 2006

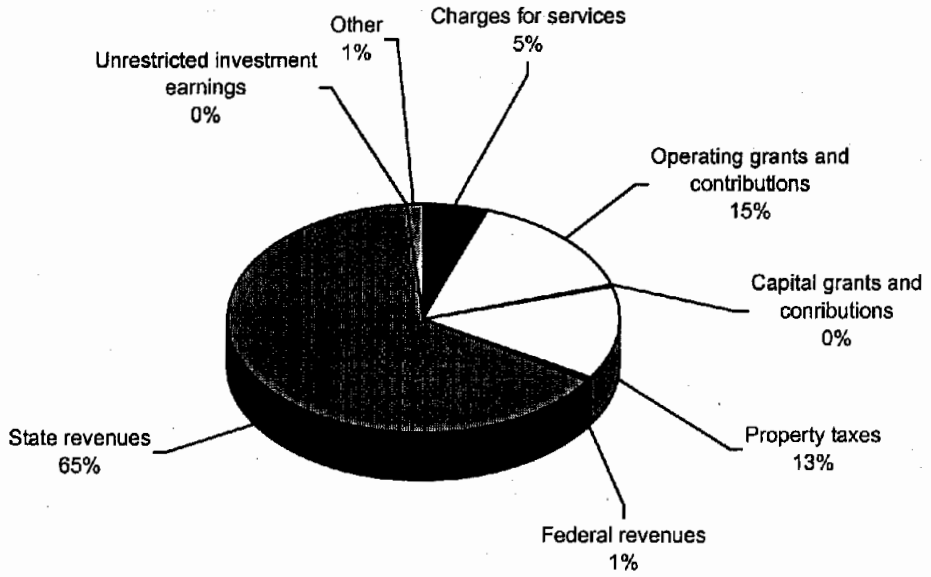
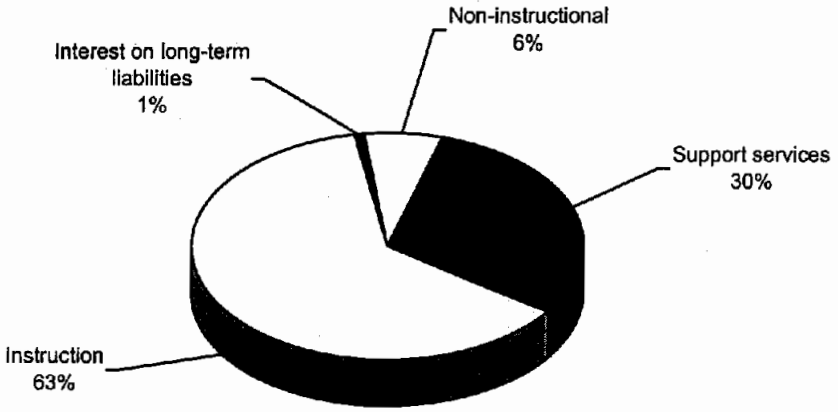


Figure 2
Expenses for Fiscal Year 2006



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.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change	Net(Expense) Revenue		Percentage Change
	2006	2005	2005-2006	2006	2005	2005-2006
Instruction	$ 13,303,740	$ 11,860,285	12.17%	(10,956,960)	$ (9,928,316)	10.36%
Supporty service	6,380,751	5,526,600	15.46%	(5,555,620)	(4,837,234)	14.85%
Non-instructional	1,317,580	1,242,377	6.05%	11,206	41485	72.98%
Interest on long-term liabilities	174,897	195,826	-10.69%	(174,897)	(195,826)	-10.69%
Total Expenses	$ 21,176,968	18,825,088	12.49%	(16,676,271)	$ (14,919,891)	11.70%

- Net cost of governmental activities $16,676,271was financed by general revenue, which is made up of primarily property taxes $2,828,572 and state revenue of $14,086,398.

- Investment earnings accounted for $53,006 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 $3,631,423 an increase of $525,823. $3,249,334 or 89.48% 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 $382,089 or 10.52% 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 $874,125.

BUDGETARY HIGHLIGHTS

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

- Budget amounts for General Fund revenue from state sources failed to consider MAEP insurance credit revenue in the amount of $108,839.
- Budget amounts for General Fund revenue from state sources underestimated Master teacher state revenue in the amount of $85,798.
- 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 $800,000.
- Displaced Student Grant - Sped was not originally budgeted because it was a new program acquired during the year.
- Actual expenditures were below budget, because the total project amount for PL 42-142 was budgeted for July 1 – June 30, 2006, but all amounts were not spent until the next fiscal year.
- Budget amounts for Vocational Education Fund underestimated MAEP state revenue.
- Budget amounts for Vocational Education Fund overestimated transfer in from General Fund.

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, 2006, the District had invested $8,975,836 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 decrease of $42,605, or –0.47%, from the previous year. Total accumulated depreciation as of June 30, 2006 was $5,640,527 and total depreciation expense for the year was $446,930, resulting in total net assets of $8,975,836.

Table 4 shows fiscal 2006 compared to 2005:

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

	2006	2005	Total Percentage Change 2005-2006
Land	$ 91,603	$ 91,603	0.00%
Construction in progress	112,100	41,352	171.08%
Buildings	7,228,260	7,376,186	-2.01%
Building Improvements	247,640	115,819	113.82%
Improvements other than buildings	138,646	147,115	-5.76%
Mobile Equipment	493,096	546,588	-9.79%
Furniture and equipment	154,710	139,010	11.29%
Leased property under capital leases	509,781	560,768	-9.09%
Totals	**$ 8,975,836**	**$ 9,018,441**	**-0.47%**

Additional information of the District's capital assets can be found in Note 5 on page 28 of this report.

Debt Administration. At June 30, 2006, the District had $4,335,750 in general obligation bonds and other long-term debt outstanding, of which $585,551is due within one year. Table 5 shows fiscal 2006 compared to 2005:

Table 5
Outstanding Long-Term Debt at June 30

	2006	2005	Total Percentage Change 2005-2006
Limited obligation bonds payable	$ 800,000	$ 1,030,000	-22.33%
Three-mill notes payable	2,448,984	2,679,027	-8.59%
Obligations under capital leases	909,214	651,394	39.58%
Compensated absences payable	177,552	154,500	14.92%
	$ 4,335,750	$ 4,514,921	-3.97%

Additional information of the District's long-term debt can be found in Note 6 on page 29 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 2005 to 2006. 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 43 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.

Exhibit A

PONTOTOC COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents (Note 3)	$ 3,034,994
Restricted Investments (Note3)	43,346
Due from other governments	848,859
Other receivables, net	2,438
Inventories and prepaid items	41,331
Capital assets, not being depreciated (Note 5)	
Land	91,603
Construction in progress	112,100
Capital assets, net of accumulated depreciation	
Buildings	7,228,260
Building improvements	247,640
Improvements other than buildings	138,646
Mobile equipment	493,096
Furniture and equipment	154,710
Leased property under capital leases	509,781
Total Assets	12,946,804
LIABILITIES	
Accounts payable and accrued liabilities	330,191
Deferred Revenue	9,354
Interest payable on Long Term Debt	87,351
Long Term Liabilities (due within one year) (Note 6)	
Capital Related Liabilities	513,326
Non-capital Liabilities	72,225
Long Term Liabilities (due beyond one year) (Note 6)	
Capital Related Liabilities	3,255,282
Non-capital Liabilities	494,917
Total Liabilities	4,762,646
NET ASSETS	
Invested in capital assets, net of related debt	5,207,228
Restricted Net Assets	
Expendable:	
School based activities	233,118
Debt Service	136,932
Capital Improvements	150,025
Unemployment Benefits	53,801
Unrestricted	2,403,054
Total Net Assets	8,184,158
Total Liabilities and Net Assets	$ 12,946,804

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, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue abd Changes in Net Assets: Primary Government Governmental Activities
Governmental Activities					
Instruction	$ 13,303,740	625,307	1,648,973	72,500	(10,956,960)
Support Services	6,380,751		825,131		(5,555,620)
Noninstructional services	1,317,580	505,758	823,028		11,206
Interest on long term debt	174,897				(174,897)
Total Governmental Activities	21,176,968	1,131,065	3,297,132	72,500	(16,676,271)
General Revenues:					
Taxes:					
General purpose levies					2,581,311
Debt purpose levies					247,261
Unrestricted grants and contributions:					
State					14,086,398
Federal					132,545
Unrestricted investment earnings					53,006
Other					277,821
Total General Revenues					17,378,342
Change in Net Assets					702,071
Net Assets - Beginning					7,517,549
Prior Period Adjustments					(35,462)
Net Assets - Beginning Restated					7,482,087
Net Assets - Ending					$ 8,184,158

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

EXHIBIT C

Pontotoc County School District
Balance Sheet - Governmental Funds
June 30, 2006

	Major Funds					
	General Funds	Displaced Student SPED	PL 94-142 Fund	Vocational Fund	Other Governmental Funds	Total (Memorandum Only)
ASSETS						
Cash and cash equivalents (Note 3)	$ 2,596,208	-	-	-	438,786	3,034,994
Restricted Investments (Note 3)	-	-	-	-	43,346	43,346
Due from other governments	275,819	106,533	71,217	96,779	298,511	848,859
Other receivables, net	2,171	-	-	-	267	2,438
Due from other funds (Note 4)	386,859	-	-	-	1,500	388,359
Inventory of food	-	-	-	-	41,331	41,331
Total Assets	3,261,057	106,533	71,217	96,779	823,741	4,359,327
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable and accrued liabilities	289,362	-	15,921	3,199	21,709	330,191
Due to other funds (Note 4)	1,500	106,533	55,296	91,505	133,525	388,359
Deferred revenue	-	-	-	2,075	7,279	9,354
Total Liabilities	290,862	106,533	71,217	96,779	162,513	727,904
Fund Balances						
Reserved for:						
Inventory	-	-	-	-	41,331	41,331
Unemployment	-	-	-	-	53,801	53,801
Capital Project Funds	-	-	-	-	150,025	150,025
Debt Service Funds	-	-	-	-	136,932	136,932
Unreserved:						
Undesignated reported in:	-	-	-	-	-	-
General Fund	2,970,195	-	-	-	-	2,970,195
Special Revenue Funds	-	-	-	-	279,139	279,139
Total Fund Balances	2,970,195	-	-	-	661,228	3,631,423
Total Liabilities and Fund Balances	$ 3,261,057	106,533	71,217	96,779	823,741	4,359,327

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

Exhibit C-1

Pontotoc County School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

	Amount
Total Fund Balance - Governmental Funds	$ 3,631,423
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 $8,772,133 (Note 5)	8,975,836
2 Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. (Note 6)	(4,335,750)
3 Accrued interest on debt is not due and payable in the current period and therefore is not reported in the funds.	(87,351)
Total Net Assets - Governmental Activities	$ 8,184,158

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

Exhibit D

PONTOTOC COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Displaced Student SPED	PL 94-142 Fund	Vocational Fund	Other Governmental Funds	Total (Memorandum Only)
Revenue						
Local Sources	$ 3,452,289	-	-	96,779	777,724	4,326,792
State Sources	13,657,482	-	-	799,130	439,928	14,896,540
Federal Sources	133,222	106,533	587,306	53,295	1,762,481	2,642,837
Total Revenues	17,242,993	106,533	587,306	949,204	2,980,133	21,866,169
Expenditures						
Instruction	11,114,315	106,533	348,630	918,147	626,300	13,113,925
Support Services	5,129,959	-	234,250	332,004	519,447	6,215,660
Noinstructional Services	7,304	-	-	-	1,322,906	1,330,210
Facilities Acquisition and Construction	57,194	-	-	-	244,412	301,606
Debt Service:						
Principal	146,285	-	-	-	445,529	591,814
Interest	22,139	-	-	-	157,529	179,668
Total Expenditures	16,477,196	106,533	582,880	1,250,151	3,316,123	21,732,883
Excess of Revenues Over (Under) Expenditures	765,797	-	4,426	(300,947)	(335,990)	133,286
Other Financing Sources (Uses)						
Proceeds of Capital Debt	389,591	-	-	-	-	389,591
Insurance Loss Recoveries	4,945	-	-	5,861	-	10,806
Sale of transporation equipment	2,065	-	-	-	-	2,065
Operating Transfers In	8,313	-	-	295,086	1,500	304,899
Operating Transfers Out	(296,586)	-	(4,426)	-	(3,887)	(304,899)
Total Other Financing Sources (Uses)	108,328	-	(4,426)	300,947	(2,387)	402,462
Net Change in Fund Balances	874,125	-	-	-	(338,377)	535,748
Fund Balance. July 1, 2005	2,096,070	-	-	-	1,009,531	3,105,601
Prior Period Adjustment	-	-	-	-	(12,613)	(12,613)
Fund Balance, July 1, 2005, Restated	2,096,070	-	-	-	996,918	3,092,988
Increase in Reserve for Inventory	-	-	-	-	2,687	2,687
Fund Balance, June 30, 2006	$ 2,970,195	-	-	-	661,228	3,631,423

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

Exhibit D-1

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, 2006

		Amount
Net Change in Fund Balances - Governmental Funds	$	535,748
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 $427,873 and the depreciation expense amounted to $446,930. (Note 6)		(2,457)
2 Proceeds of long-term liabilities are reported in the governmental funds. but not in the statement of activity. (Note 6)		(389,591)
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 6)		591,814
4 Decrease in accrued interest is reported as an adjustment to interest expense in the statement of activity.		4,221
5 Increase in compensated absences is reported as an adjustment to support services and noninstrucional services.		(23,052)
6 Losses on disposition of assets		(17,298)
7 Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activities.		2,687
8 Rounding Adjustment		(1)
Change in Net Assets of Governmental Activities	$	702,071

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

Exhibit E

PONTOTOC COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006

	Agency Funds
ASSETS	
Cash and Cash Equivalents (Note 3)	$ 686,458
Total Assets	686,458
LIABILITIES	
Accounts payable and accrued liabilities	625,257
Due to clubs	59,201
Total Liabilities	$ 684,458

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

(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. 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 funds are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. 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, regardless of when the cash flow takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

In the fund financial statements, governmental 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.

Displaced Students - SPED – This fund accounts for funds allocated to the district for educating displaced Special Education students.

Special Education PL 94-142 – This fund accounts for the collection and expenditure of federal revenues and the cost to provide education to Special Education students.

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

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 broad classifications recommend in *Governmental Accounting, Auditing and Financial Reporting* as 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, 1990* issued by the U.S. Department of Education.

(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.

Investments are reported at fair value.

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 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.

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.

(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. In the government-wide Statement of Net Assets, long-term debt and other liabilities are reported as liabilities in the governmental activities column. (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.

(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. Following is a description of fund reserves used by the district.

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

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

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

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

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 only if the payable has matured, for example, the employee retires.

(2) Changes in Accounting Standards.

As required, the Pontotoc County School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether that are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents, and Investments

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

Investments. Section 29-3-113 and 37-59-43, Miss Code Ann. (1972), authorizes the school board to invest surplus 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 deposits and 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, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (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 American that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) must be credited to those funds. Investment income of $100 or more of any funds must be credited to that fund. Amounts 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 in the governmental funds and fiduciary funds was $3,034,994 and $686,458 respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - $3,034,994. The bank balance was $4,152,472.

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, 2006, none of the district's bank balance was exposed to custodial credit risk.

(3) Cash, Cash Equivalents and Investments (continued)

Investments

As of June 30, 2006, the district has the following investments. All investments are in an internal investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
Hancock Horizon Treasury Mutual Fund	Less than 1	$ 43,346	AAA
Total Investments		$ 43,346	

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, 2006, none of the district's investment balance was exposed to custodial credit risk.

Concentration of Credit Risk
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, 2006, the district did not have any of these investments.

(4) 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	$	386,859	1,500
Other Major Funds			
Displaced Student SPED		-	106,533
Special ED PL94-142			55,296
Vocational Fund			91,505
Other Governmental Funds		1,500	133,525
Total Funds		388,359	388,359

Temporary loans were made for $386,859 until funds received from grantors. $1,500 was for support.

B. Transfers In/Out

		Transfers In	Transfers Out
Major Funds:			
General Fund		8,313	296,586
Special ED PL94-142			4,426
Vocational Funds		295,086	-
Other Governmental Funds		1,500	3,887
Total Funds	$	304,899	304,899

$8,313 PL-94-142,Title I and Special Ed Preschool for indirect cost. $296,586 was transferred out of District Maintenance to Vocational and Unemployment Compensation Fund for support.

(5) Capital Assets

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

	Balance 7/1/2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2006
Non-depreciable capital						
Land	$ 91,603	-	-	-	-	91,603
Construction in progress	41,352	297,756	-	(204,158)	(22,850)	112,100
Total non-depreciable	132,955	297,756	-	(204,158)	(22,850)	203,703
Depreciable capital assets:						
Buildings	10,403,014	-	-	61,361	-	10,464,375
Building Improvements	131,613	-	-	142,797	-	274,410
Improvements other than buildings	243,735	-	-	-	-	243,735
Mobile equipment	2,130,934	77,815	81,183	-	-	2,127,566
Furniture and equipment	617,095	68,902	-	-	-	685,997
Leased property under capital leases	616,577	-	-	-	-	616,577
Total depreciable capital	14,142,968	146,717	81,183	204,158	-	14,412,660
Less accumulated Depreciation						
Buildings	3,026,828	209,287	-		-	3,236,115
Building improvements	15,794	10,976	-		-	26,770
Improvements other than buildings	96,620	8,469	-		-	105,089
Mobile equipment	1,584,346	114,009	63,885		-	1,634,470
Furniture and equipment	478,085	53,202	-		-	531,287
Leased property under capital leases	55,809	50,987	-	-	-	106,796
Total accumulated depreciation	5,257,482	446,930	63,885	-	-	5,640,527
Total depreciable capital assets, net	8,885,486	(300,213)	17,298	204,158		8,772,133
Governmental activities capital assets, net	$ 9,018,441	(2,457)	17,298	-	(22,850)	8,975,836

An adjustment was made to construction in progress in the amount of $22,850 to remove a project that was less than the threshold amount .

5) Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 262,003
Support services	178,355
Non-instructional	6,572
Total depreciation expense	$ 446,930

6) Long-term liabilities

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

	Balance 7/1/2005	Additions	Reductions	Balance 6/30/2006	Amounts due within one year
A. Limited obligation bonds payable	$ 1,030,000	-	230,000	800,000	240,000
B. Three-mill notes payable	2,679,027	-	230,043	2,448,984	136,731
C. Obligations under capital leases	651,394	389,591	131,771	909,214	208,820
D. Compensated absences payable	154,500	23,052		177,552	-
	$ 4,514,921	412,643	591,814	4,335,750	585,551

(6) 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	800,000
Total				$ 2,375,000	800,000

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

Year Ending June 30,	Principal	Interest	Total
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
	$ 800,000	72,463	872,463

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	4.94%	5/1/00	5-1-07	395,000	67,152
Three Mill Note	4.65%	5/1/01	5/25/11	450,000	248,832
Three Mill Note	Various	10/1/02	10/1/17	2,200,000	2,133,000
				$ 3,045,000	2,448,984

(6) 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
2007	136,731	102,680	239,411
2008	121,748	96,813	218,561
2009	189,995	91,977	281,972
2010	197,320	84,472	281,792
2011	204,190	76,239	280,429
2012-2016	1,078,000	255,699	1,333,699
2017-2018	521,000	33,405	554,405
Total	$ 2,448,984	741,285	3,190,269

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

C.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 , Buses and Lighting.

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
2007	208,820	33,554	242,374
2008	215,015	27,361	242,376
2009	223,824	18,551	242,375
2010	176,287	9,371	185,658
2011	85,268	3,198	88,466
Total	$ 909,214	92,035	1,001,249

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.

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 10.75% 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, 2006, 2005, and 2004, were$1,295,783, $1,085,537, and $1,052,267, 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 119 school districts 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 $500,000. For a claim exceeding $500,000, 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.

(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.

The Pontotoc county School District has been designated as the fiscal agent for the Pontotoc Ridge Career and Technical Center and the operations of the consortium are included in its financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance – Vocational Funds
For the Year Ended June 30, 2006

Revenues	
Local Sources	
Tuition from other LEA's within the state:	
Pontotoc City School District	$ 96,779
Total tuition from other LEA's within the state	96,779
Total local sources	96,779
State sources	799,130
Federal sources	53,295
Total Revenues	949,204
Expenditures	
Salaries	858,541
Employee benefits	245,320
Purchased property services	68,188
Other purchased services	11,935
Supplies	28,933
Property	37,233
Total Expenditures	1,250,150
Excess (Deficiency) of Revenues Over Expenditures	(300,946)
Other Financing Sources (Uses)	
Sale of transportation equipment	5,860
Operating transfers in	295,086
Total Financing Sources (Uses)	300,946
Net Change in Fund Balance	-
Fund Balance:	
July 1, 2005	-
June 30, 2006	-

Schedule 1

Pontotoc County School District
Budgetary Comparison for the General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances	
	Original	Final	GAAP Basis	Original to Final	Final to Actual
Revenue					
Local Sources	$ 3,265,784	3,452,289	3,452,289	186,505	-
State Sources	13,411,779	13,657,482	13,657,482	245,703	-
Federal Sources	92,300	133,222	133,222	40,922	-
Total Revenues	16,769,863	17,242,993	17,242,993	473,130	-
Expenditures					
Instruction	10,667,491	11,006,261	11,114,315	(338,770)	(108,054)
Support Services	5,394,484	5,129,959	5,129,959	264,525	-
Noninstructional services	7,500	7,304	7,304	196	-
Facilities Acquisition and Construction	-	57,194	57,194	(57,194)	-
Debt Service:					
Principal	151,285	168,424	146,285	(17,139)	22,139
Interest	22,139	-	22,139	22,139	(22,139)
Total Expenditures	16,242,899	16,369,142	16,477,196	(126,243)	(108,054)
Excess (Deficiency) of Revenues Over Expenditures	526,964	873,851	765,797	346,887	(108,054)
Other Financing Sources (Uses)					
Inception of Capital Leases	389,591	389,591	389,591	-	-
Insurance Loss Recoveries	-	4,945	4,945	4,945	
Sale of Transportation Equipment	-	2,066	2,065	2,066	(1)
Operating Transfers In	112,686	814,921	8,313	702,235	(806,608)
Operating Transfers Out	(355,000)	(1,103,194)	(296,586)	(748,194)	806,608
Total Other Financing Sources (Uses)	147,277	108,329	108,328	(38,948)	(1)
Net Change in Fund Balance	674,241	982,180	874,125	307,939	(108,055)
Fund Balances					
July 1, 2005	2,096,070	2,096,070	2,096,070	-	-
June 30, 2006	$ 2,770,311	3,078,250	2,970,195	307,939	(108,055)

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

Schedule 2

Pontotoc County School District
Budgetary Comparison Schedule for Displaced Student – SPED Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis	Original to Final	Final to Actual
Revenues					
Federal Sources	$ -	106,533	106,533		-
Total Revenues	-	106,533	106,533	-	-
Expenditures					
Instruction	-	106,533	106,533		-
Total Expenditures	-	106,533	106,533	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-		-
Other Financial Sources (Uses)					
Operating Transfers In		-	-		-
Total Other Financing Sources (Uses)	-	-	-		-
Net Change in Fund Balance		-	-	-	-
Fund Balances:					
July 1, 2005	-	-	-	-	-
June 30, 2006	$ -	-	-	-	-

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

Schedule 3

Pontotoc County School District
Budgetary Comparison Schedule for PL 94-142 Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis	Original to Final	Final to Actual
Revenues					
Federal Sources	$ 484,164	587,306	587,306	103,142	-
Total Revenues	484,164	587,306	587,306	103,142	-
Expenditures					
Instruction	513,392	348,630	348,630	164,762	-
Support Services	292,458	234,250	234,250	58,208	-
Total Expenditures	805,850	582,880	582,880	222,970	-
Excess (Deficiency) of Revenues Over Expenditures	(321,686)	4,426	4,426	326,112	-
Other Financial Sources (Uses)					
Operating Transfers Out	(3,425)	(4,426)	(4,426)	(1,001)	-
Total Other Financing Sources (Uses)	(3,425)	(4,426)	(4,426)	(1,001)	-
Net Change in Fund Balance	(325,111)	-	-	325,111	-
Fund Balances:					
July 1, 2005	-	-	-	-	-
June 30, 2006	$ (325,111)	-	-	325,111	-

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

Schedule 4

Pontotoc County School District
Budgetary Comparison Schedule for Vocational Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis	Original to Final	Final to Actual
Revenues					
Local Sources	$ 115,000	96,779	96,779	(18,221)	
State Sources	680,855	799,130	799,130	118,275	
Federal Sources	53,250	53,295	53,295	45	-
Total Revenues	849,105	949,204	949,204	100,099	-
Expenditures					
Instruction	929,356	918,147	918,147	11,209	-
Support Services	339,475	332,004	332,004	7,471	-
Total Expenditures	1,268,831	1,250,151	1,250,151	18,680	-
Excess (Deficiency) of Revenues Over Expenditures	(419,726)	(300,947)	(300,947)	118,779	-
Other Financial Sources (Uses)					
Insurance Loss Recoveries	-	5,861	5,861	5,861	
Operating Transfers In	377,000	295,086	295,086	(81,914)	-
Total Other Financing Sources (Uses)	377,000	300,947	300,947	(76,053)	-
Net Change in Fund Balance	(42,726)	-	-	42,726	-
Fund Balances:					
July 1, 2005	-	-	-	-	-
June 30, 2006	$ (42,726)	-	-	42,726	-

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, 2006

(1) Basis of Presentation

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

(2) Budget amendments and revisions

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

General Fund exceeded budget by $108, 054 which was the result of an audit adjustment.

Schedule 1

PONTOTOC COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor Pass-through Gtantor 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	$ 66,028
Child Nutrition Cluster		
School breakfast program	10.553	141,239
National school lunch program	10.555	607,374
Total Child Nutrition Cluster		748,613
Fresh Fruit and Vegetable program	10.582	52,441
Total Passed-through MDE		
Total U. S. Department of Agriculture		867,082
U. S. Department of Labor		
Passed-through Three Rivers Planning and Development District:		
Workforce Investment Act Youth Activities	17.259	111,675
Total Passed-through Three Rivers Planning and Development District		111,675
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	26,961
Total Federal Communications Commission		26,961
U. S. Department of Education		
Passed-through Mississippi Department of Rehabilitation Services		
Vocational rehabilitation - grants to states	84.126	377
Total Passed through MS Department of Rehabilitation Services		377
Passed-through Mississippi Department of Education		
Title I grants to local education agencies	84.010	423,387
Vocational education grants to local educational agencies	84.048	53,295
Safe and drug-free schools and communities-state grants	84.186	16,155
State Grants for innovative programs	84.298	9,781
Education Technology-state grants	84.318	2,672
English language acquisition grants	84.365	26,297
Improving teacher quality - state grants	84.367	155,835
Grants for state assessments and related activities	84.369	18,536
Hurricane Education Recovery	84.938	218,658
Special Education Cluster		
Special education - grants to states	84.027	587,606
Special education - preschool grants	84.173	24,288
Total Special Education Cluster		611,894
Total Passed-through MDE		1,536,510
Total U. S. Department of Education		1,536,887
Total for All Federal Awards		$ 2,542,605

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 basic financial statements.

2 The expenditure amounts include transfers out.

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

Schedule 2

Pontotoc County School District
Schedule of Instructional, Administrative and Other Expenses- Governmental Funds
June 30, 2006

Expenditures	Total	Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	$ 16,150,937	11,981,147	671,185	829,245	2,669,360
Other	5,581,946	1,569,798	209,903	16,654	3,785,591
Total	$ 21,732,883	13,550,945	881,088	845,899	6,454,951
Total Number of Students *	3,091				
Cost per Student	$ 7,031	4,384	285	274	2,088

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, 2100 & 2200 functional codes.

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

School Administration – includes expenditures for the following functions: Support Services – School Administration (2400's)

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.

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 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, 2006, which collectively comprise the Pontotoc County School District's basic financial statements and have issued our report thereon dated March 27, 2007. 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.

Brawner, Vanstory & Co. P.A

March 27, 2007
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 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, 2006. 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.

As described in Finding 2006-1 in the Schedule of Findings and Questioned costs, the School District did not comply with requirements regarding allowability that are applicable to its Hurricane Education Relief Grant. Compliance with such requirements is necessary , in our opinion, for the school district to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2006.

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, Vanstory & Co P.A.

March 27, 2007
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, 2006, which collectively comprise the Pontotoc County School District's basic financial statements, and have issued our report thereon dated March 27, 2007. 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 $41,228 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.

Brawner, Vanstory + Co. P.A.

March 27, 2007
Booneville, Mississippi

PONTOTOC COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

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:	Qualified
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?	Yes
7.	Federal programs identified as major programs:	

Title I Grants to Local Educational Agencies	CFDA # 84.010
Improving Teacher Quality State Grant	CFDA # 84.367
Hurricane Education Recovery	CFDA # 84.938
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, 2006

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?	No

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**

Finding 2006-1

Hurricane Education Recovery CFDA# 84.938

Pontotoc County School District did not comply with the Compliance requirement for allowability on the Hurricane Relief Grant. Students were over counted by counting the students in home room classes and then recounted in other classes.

Questioned Costs: $108,054.

Recommendation:

We recommend that procedures be put in place that cover this type of grant, so that over counting of students does not occur again.

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

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section _____.315 (c) of OMB Circular A-133 the Pontotoc County School District has prepared and hereby submits the following corrective action for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2006:

Finding	Corrective Action Plan Details		
	a.	Contact Person:	Stacy Lewis Business Manager 662-489-3938
2006-1	b.	Upon notification of finding training was implemented to insure that when student counts were required for programs that proper procedures would be followed to insure an accurate count.	

The Pontotoc County School District does not discriminate on the basis of sex, race, creed, color, handicap, or National Origin.
An Equal Opportunity Employer