

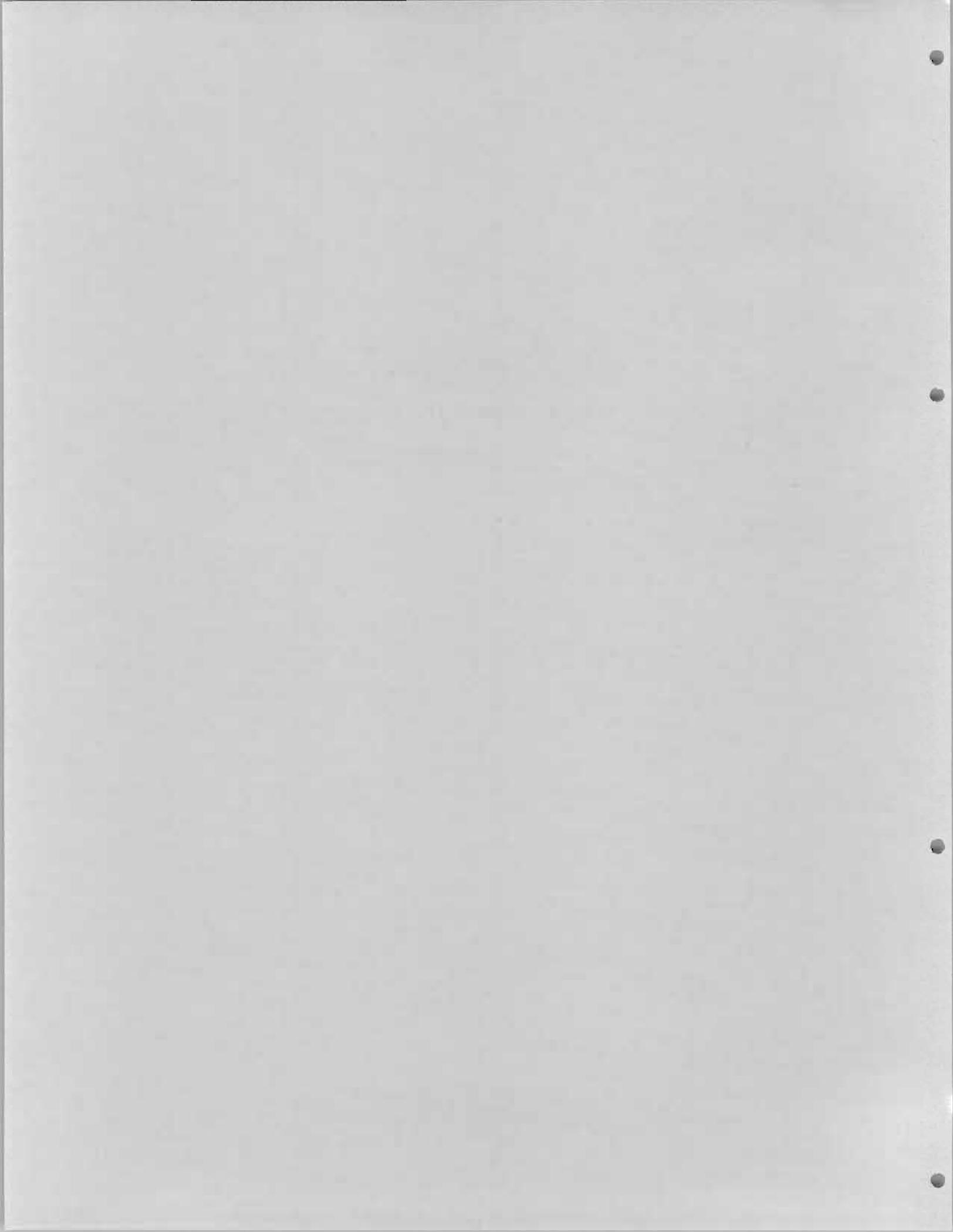


The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content 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

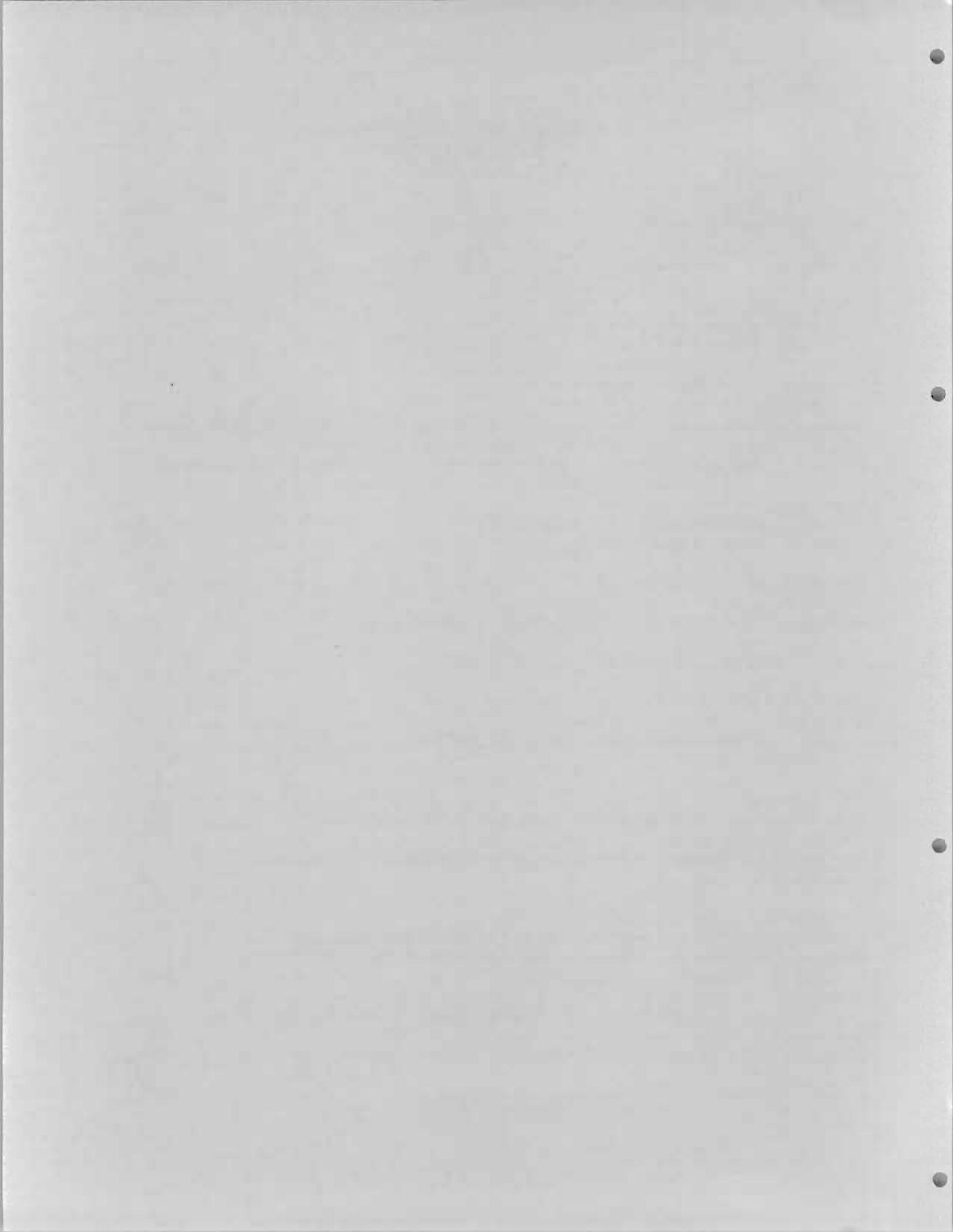
AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011



**PONTOTOC COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2011**

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements	
Government-wide Financial Statements	
Exhibit A - Statement of Net Assets	13
Exhibit B - Statement of Activities	14
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	15
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Exhibit D - Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Exhibit D-1 - Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	19
Notes to the Financial Statements	20-40
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	42
Budgetary Comparison Schedule - Major Special Revenue Funds	43
Notes to the Required Supplemental Information	44
Supplemental Information	
Schedule of Expenditures of Federal Awards	45-46
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	47
Other Information	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	48
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	49
Reports on Internal Controls and Compliance	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51-52
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct And Material Effect on Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	53-54
Independent Auditor's Report on Compliance with State Laws and Regulations	55-56
Schedule of Findings and Questioned Costs	57-58





Certified Public Accountants
Locations in Corinth, MS & Booneville, MS

Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

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

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Pontotoc County School District

We have audited the accompanying 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, 2011, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pontotoc County School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, on our consideration of the Pontotoc County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pontotoc County School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Prattner, Vanstony & Co. P.A

March 16, 2012
Booneville, Mississippi

**PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$1,859,283, which represents 22.84% increase from fiscal year 2010. The total net assets for 2010 decreased \$803,060, which represents 8.98% decrease from fiscal year 2009.
- General revenues amounted to \$20,098,343 and \$20,365,442, or 77.47% and 80.06% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,844,673, or 22.53% of the total revenues for 2011, and \$5,083,517, or 19.94% of the total revenues for 2010.
- The District had \$24,083,733 and \$26,252,019 in expenses for fiscal years 2011 and 2010; only \$5,844,673 for 2011 and \$5,083,517 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,098,343 for 2011 were adequate, and \$20,356,442 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$18,962,001 in revenues and \$17,524,826 in expenditures for 2011, and \$19,113,747 in revenues and \$20,159,541 in expenditures for 2010. The General Fund's fund balance increased by \$727,482 from 2010 to 2011, and decreased by \$1,292,790 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$2,041,387 for 2011 and decreased by \$239,460 for 2010. The increase for 2011 was due to the addition of construction in progress coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$2,412,076 for 2011 and decreased by \$701,249 for 2010. The increase for 2011 was due primarily to the issuance of qualified school construction bonds. The liability for compensated absences decreased by \$8,080 for 2011 and increased by \$53,997 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

**PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

**PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Other information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$10,000,137 as of June 30, 2011.

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

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

**Table 1
Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 4,733,286	\$ 2,077,730	127.81%
Capital assets, net	11,741,827	9,700,440	21.04%
Total assets	<u>16,475,113</u>	<u>11,778,170</u>	39.88%
Current liabilities	711,853	278,189	155.89%
Long-term debt outstanding	5,763,123	3,359,127	71.57%
Total liabilities	<u>6,474,976</u>	<u>3,637,316</u>	78.02%
Net assets:			
Invested in capital assets, net of related debt	6,387,771	6,904,523	-7.48%
Restricted	2,277,256	782,848	190.89%
Unrestricted	1,335,110	453,483	194.41%
Total net assets	<u>\$ 10,000,137</u>	<u>\$ 8,140,854</u>	22.84%

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

- Increase in net capital assets in the amount of \$2,041,387.
- The principal retirement of \$587,924 of long-term debt.

**PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$25,943,016 and \$25,448,959, respectively. The total cost of all programs and services was \$24,083,733 for 2011 and \$26,252,019 for 2010.

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

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 978,245	\$ 962,596	1.63%
Operating grants and contributions	4,756,004	4,108,182	15.77%
Capital grants and contributions	110,424	12,739	766.82%
General revenues:			
Property taxes	3,769,196	3,200,556	17.77%
Grants and contributions not restricted	15,928,875	16,767,624	-5.00%
Investment earnings	113,564	66,031	71.99%
Other	286,708	331,231	-13.44%
Total revenues	<u>25,943,016</u>	<u>25,448,959</u>	1.94%
Expenses:			
Instruction	15,407,859	17,247,150	-10.66%
Support services	7,086,467	7,485,594	-5.33%
Non-instructional	1,462,555	1,376,111	6.28%
Interest and other expense on long-term liabilities	126,852	143,164	-11.39%
Total expenses	<u>24,083,733</u>	<u>26,252,019</u>	-8.26%
Increase(decrease) in net assets	<u>1,859,283</u>	<u>(803,060)</u>	331.52%
Net assets, July 1	<u>8,140,854</u>	<u>8,943,914</u>	-8.98%
Net assets, June 30	<u>\$ 10,000,137</u>	<u>\$ 8,140,854</u>	22.84%

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

PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Figure 1
Sources of Revenues for Fiscal Year 2011

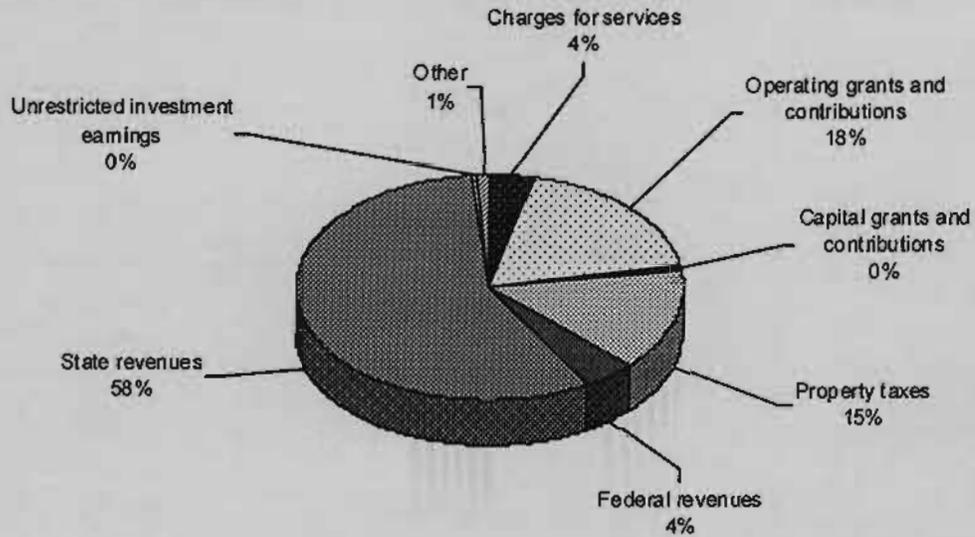
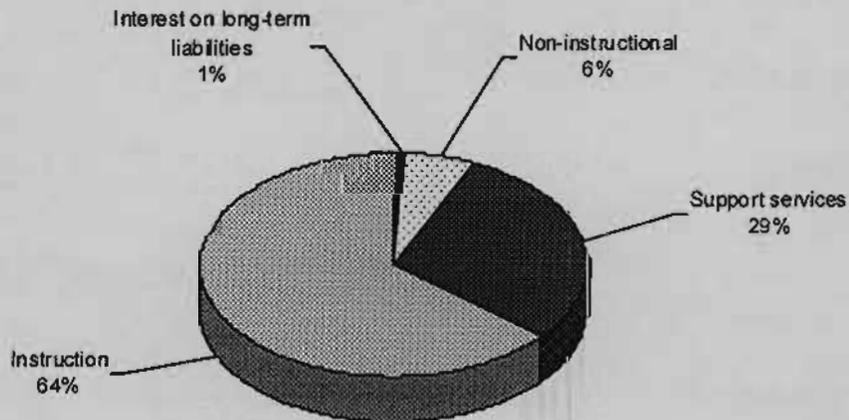


Figure 2
Expenses for Fiscal Year 2011



**PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 15,407,859	\$ 17,247,150	-10.66%
Support services	7,086,467	7,485,594	-5.33%
Non-instructional	1,462,555	1,376,111	6.28%
Interest on long-term liabilities	126,852	143,164	-11.39%
Total expenses	<u>\$ 24,083,733</u>	<u>\$ 26,252,019</u>	-8.26%

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (12,493,349)	\$ (14,623,207)	-14.56%
Support services	(5,795,065)	(6,612,863)	-12.37%
Non-instructional	176,206	210,732	-16.38%
Interest on long-term liabilities	(126,852)	(143,164)	-11.39%
Total net (expense) revenue	<u>\$ (18,239,060)</u>	<u>\$ (21,168,502)</u>	-13.84%

- Net cost of governmental activities (\$18,239,060 for 2011 and \$21,168,502 for 2010) was financed by general revenue, which is primarily made up of property taxes of (\$3,769,196 for 2011 and \$3,200,556 for 2010) and state and federal revenues of (\$15,928,875 for 2011 and \$16,767,624 for 2010).

- Investment earnings amounted to \$113,564 for 2011 and \$66,031 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,076,796, an increase of \$2,184,833, which includes an increase in inventory of \$24,265. \$641,737 or 15.74% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,435,059 or 84.26% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

**PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$727,482. The fund balance of Other Governmental Funds showed an increase in the amount of \$630,140. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)	
Food Service Fund	\$ 181,094	net of inventory change
QSCB School Construction Fund	646,117	

BUDGETARY HIGHLIGHTS

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

- Budget amounts for General Fund local revenue overestimated ad valorem tax revenues by \$292,308.
- Budget amounts for General Fund local revenue underestimated miscellaneous revenues in the amount of \$84,801.
- Budget amounts for General Fund revenue from state sources overestimated MAEP revenue in the amount of \$727,643 due to state not fully funding this program.
- Actual expenditures were below budget, primarily because the District budgets from fund balance for unplanned expenditures (contingency). The District didn't spend the entire contingency amount.
- Budget amounts for School Food Service Fund revenue from federal sources underestimated National School Lunch revenues in the amount of \$229,723.
- Budget amounts for School Food Service Fund revenue from federal sources did not consider Donated Commodities revenue in the amount of \$127,312.
- Actual expenditures were below budget, because the total project amount for QSCB School Construction Fund was budgeted for July 1 - June 30, 2011, but all amounts were not spent until the next year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$18,853,028, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$2,322,137 from 2010. Total accumulated depreciation as of June 30, 2011, was \$7,111,201, and total depreciation expense for the year was \$431,623, resulting in total net capital assets of \$11,741,827.

**PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 364,607	\$ 364,607	0.00%
Construction in progress	2,488,100	122,157	1936.81%
Buildings	7,033,875	7,210,903	-2.46%
Building improvements	407,129	428,623	-5.01%
Improvements other than buildings	223,577	238,894	-6.41%
Mobile equipment	816,521	865,120	-5.62%
Furniture and equipment	146,700	172,070	-14.74%
Leased property under capital leases	261,318	298,066	-12.33%
Total	<u>\$ 11,741,827</u>	<u>\$ 9,700,440</u>	21.04%

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

Debt Administration. At June 30, 2011, the District had \$5,763,123 in outstanding long-term debt, of which \$467,430 is due within one year. The liability for compensated absences decreased \$8,080 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 2,265,062	\$ 2,537,196	-10.73%
Shortfall note payable	151,116	297,179	-49.15%
Obligations under capital leases	88,994	258,721	-65.60%
Qualified school construction bonds payable	3,000,000	-	n/a
Compensated absences payable	257,951	266,031	-3.04%
Total	<u>\$ 5,763,123</u>	<u>\$ 3,359,127</u>	71.57%

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

**PONTOTOC COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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 District's system of financial planning, budgeting and internal financial control is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

Enrollment for the 2010-2011 year increased by 2.47% to 3,278 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

PONTOTOC COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,049,306
Due from other governments	596,435
Inventories	54,784
Deferred debt issuance costs	32,761
Capital assets, non-depreciable	
Land	364,607
Construction in progress	2,488,100
Capital assets, net of accumulated depreciation:	
Buildings	7,033,875
Building improvements	407,129
Improvements other than buildings	223,577
Mobile equipment	816,521
Furniture and equipment	146,700
Leased property under capital leases	261,318
Total assets	<u>16,475,113</u>
Liabilities	
Accounts payable and accrued liabilities	616,432
Unearned revenue	7,297
Interest payable on long term liabilities	88,124
Long-term liabilities, due within one year	
Capital related liabilities	316,314
Non-capital related liabilities	151,116
Long-term liabilities, due beyond one year	
Capital related liabilities	5,037,742
Non-capital related liabilities	257,951
Total liabilities	<u>6,474,976</u>
Net Assets	
Invested in capital assets, net of related debt	6,387,771
Restricted net assets:	
Expendable:	
School based activites	633,846
Debt service	274,286
Capital improvements	1,306,422
Unemployment benefits	62,702
Unrestricted	1,335,110
Total net assets	<u>\$ 10,000,137</u>

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

PONTOTOC COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Governmental Activities
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Instruction	\$ 15,407,859	536,496	2,365,693	12,321	(12,493,349)
Support services	7,086,467	-	1,209,302	82,100	(5,795,065)
Noninstructional services	1,462,555	441,749	1,181,009	16,003	176,206
Interest on long-term debt	126,852	-	-	-	(126,852)
Total governmental activities	\$ 24,083,733	978,245	4,756,004	110,424	(18,239,060)
General Revenues:					
Taxes:					
General purpose levies					3,376,026
Debt purpose levies					393,170
Unrestricted grants and contributions:					
State					14,828,252
Federal					1,100,623
Unrestricted investment earnings					113,564
Other					286,708
Total general revenues					20,098,343
Change in net assets					1,859,283
Net assets - beginning					8,140,854
Net assets - ending					\$ 10,000,137

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

PONTOTOC COUNTY SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2011

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Food Service Fund	QSCB School Construction Fund		
Assets					
Cash and cash equivalents	\$ 1,837,618	584,440	1,093,948	533,300	4,049,306
Due from other governments	309,496	-	-	286,939	596,435
Due from other funds	295,772	5,894	-	550,000	851,666
Inventories	-	54,784	-	-	54,784
Total Assets	2,442,886	645,118	1,093,948	1,370,239	5,552,191
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	142,817	270	440,374	32,971	616,432
Due to other funds	555,894	50,000	7,457	238,315	851,666
Unearned revenue	-	-	-	7,297	7,297
Total liabilities	698,711	50,270	447,831	278,583	1,475,395
Fund Balances:					
Nonspendable:					
Inventory	-	54,784	-	-	54,784
Restricted for:					
Debt service	-	-	-	329,650	329,650
Capital projects	-	-	646,117	110,305	756,422
Grant activities	-	-	-	38,999	38,999
Unemployment benefits	-	-	-	62,702	62,702
Food services	-	540,064	-	-	540,064
Committed:					
Capital improvements	300,000	-	-	550,000	850,000
Assigned:					
Activity funds	96,060	-	-	-	96,060
Capital improvements	706,378	-	-	-	706,378
Unassigned:					
	641,737	-	-	-	641,737
Total fund balances	1,744,175	594,848	646,117	1,091,656	4,076,796
Total liabilities and fund balances	\$ 2,442,886	645,118	1,093,948	1,370,239	5,552,191

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

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

		<u>Amount</u>
Total fund balance - governmental funds		\$ 4,076,796
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	364,607	
Construction in progress	2,488,100	
Buildings	11,268,396	
Building improvements	537,352	
Improvements other than buildings	414,954	
Mobile equipment	2,739,397	
Furniture and equipment	631,912	
Leased property under capital leases	408,310	
Accumulated depreciation	<u>(7,111,201)</u>	
		11,741,827
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Limited obligation bonds	(3,000,000)	
Notes payable	(2,416,178)	
Capital lease obligations	(88,994)	
Unamortized charges	32,761	
Accrued interest payable	(88,124)	
Compensated absences payable	<u>(257,951)</u>	<u>(5,818,486)</u>
Total net assets - governmental activities		<u>\$ 10,000,137</u>

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

PONTOTOC COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	Major Funds				Total Governmental Funds
	General Fund	Food Service Fund	QSCB School Construction Fund	Other Governmental Funds	
Revenues:					
Local sources	\$ 4,166,813	485,661	44,479	467,307	5,164,260
Intermediate sources	-	-	-	41,441	41,441
State sources	14,638,451	20,838	-	1,127,763	15,787,052
Federal sources	156,737	1,239,334	-	3,553,219	4,949,290
Total Revenues	18,962,001	1,745,833	44,479	5,189,730	25,942,043
Expenditures:					
Instruction	11,496,637	-	-	3,693,877	15,190,514
Support services	5,690,735	88,985	-	1,207,547	6,987,267
Noninstructional services	30,569	1,450,019	-	8,324	1,488,912
Facilities acquisition and construction	4,026	-	2,361,917	-	2,365,943
Debt service:					
Principal	217,879	-	-	370,045	587,924
Interest	84,980	-	-	46,170	131,150
Other	-	-	36,445	-	36,445
Total Expenditures	17,524,826	1,539,004	2,398,362	5,325,963	26,788,155
Excess Deficiency of Revenues over (under) Expenditures	1,437,175	206,829	(2,353,883)	(136,233)	(846,112)
Other Financing Sources (Uses):					
Bonds and Notes issued	-	-	3,000,000	-	3,000,000
Insurance recovery	2,098	-	-	-	2,098
Sale of transportation equipment	4,582	-	-	-	4,582
Operating transfers in	62,411	-	-	778,784	841,195
Operating transfers out	(778,784)	(50,000)	-	(12,411)	(841,195)
Total Other Financing Sources (Uses)	(709,693)	(50,000)	3,000,000	766,373	3,006,680
Net change in fund balances	727,482	156,829	646,117	630,140	2,160,568
Fund Balances:					
July 1, 2010	1,016,693	413,754	-	461,516	1,891,963
Increase (decrease) in reserve for inventory	-	24,265	-	-	24,265
June 30, 2011	\$ 1,744,175	594,848	646,117	1,091,656	4,076,796

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

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

		Amount
Net Changes in fund balances - governmental funds	\$	2,160,568
Amounts reported for governmental activities in the Statement of Activities are different because:		
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	2,491,067	
Depreciation expense	431,623	2,059,444
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		
		(18,057)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(3,000,000)	
Payments of debt principal	587,924	
Accrued interest payable	4,297	
Deferred issuance cost	32,761	(2,375,018)
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/ expenditures in governmental funds. These activities include:		
Change in compensated absences	8,080	
Change in inventory reserve	24,265	32,345
5. Rounding adjustment		
		1
Change in net assets of governmental activities	\$	1,859,283

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

PONTOTOC COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 808,518
Total Assets	<u>808,518</u>
Liabilities	
Accounts payable and accrued liabilities	744,942
Due to student clubs	<u>63,576</u>
Total Liabilities	<u>\$ 808,518</u>

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

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Pontotoc County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

C. Government-wide and Fund Financial Statements

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

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

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

General Fund – This is the school district’s primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Food Service Fund – This fund accounts for the operation of providing meals to students.

QSCB School Construction Fund – This fund accounts for the revenues and expenditures of the funds provided by the QSCB program.

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

The District’s fiduciary funds include the following:

Student Club Funds – This fund is used to account for revenues raised by club activities and the club related expenditures of various student clubs in the district.

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounts Payable Clearing – This fund is used to account for the district's claims payable and the payment of those claims.

Payroll Clearing – This fund is used to account for salaries and related salary expenditures payable and the payment of those payables.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

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

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

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

D Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

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

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

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

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

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

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

E. Encumbrances

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

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Assets, liabilities, and net assets/fund balances

(1) Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

(2) Receivables and payables

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

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

(3) Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

(4) Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

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

(5) Restricted Assets

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

(6) Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

(6) Capital Assets (Continued)

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

(7) Compensated Absences

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

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

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

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Continued)

(9) Fund balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the Board.

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

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

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

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 2 - Cash and Cash Equivalents

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

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

Cash and Cash Equivalents -The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,049,306 and \$808,518, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$4,049,306. The bank balance was \$5,737,409.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$5,737,409 was exposed to custodial credit risk.

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Food Service	\$ 50,000
	QSCB School Construction	7,457
	Other governmental funds	238,315
Food Service Fund	General	5,894
Other governmental funds	General	550,000
Total		<u>\$ 851,666</u>

Temporary loans of \$238,315 were made until funds are received from grantors. \$555,894 was for reimbursements from District Maintenance to other funds. \$50,000 was a payment to District Maintenance for indirect cost and \$7,457 was a reimbursement.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 778,784
Food Service Fund	General	50,000
Other governmental funds	General	12,411
Total		<u>\$ 841,195</u>

\$778,784 was transferred out of General Fund for support of other funds. \$62,411 was transferred to General Funds for indirect cost.

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 4 - Capital Assets

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

Governmental Activities:	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
<u>Non-depreciable capital assets</u>				
Land	\$ 364,607	-	-	364,607
Construction in progress	122,157	2,365,943	-	2,488,100
Total non-depreciable assets	<u>486,764</u>	<u>2,365,943</u>	<u>-</u>	<u>2,852,707</u>
<u>Depreciable capital assets:</u>				
Buildings	11,268,396	-	-	11,268,396
Building improvements	537,352	-	-	537,352
Improvements other than buildings	414,954	-	-	414,954
Mobile equipment	2,785,018	89,100	134,721	2,739,397
Furniture and equipment	630,097	36,024	34,209	631,912
Leased property under capital leases	408,310	-	-	408,310
Total depreciable capital assets	<u>16,044,127</u>	<u>125,124</u>	<u>168,930</u>	<u>16,000,321</u>
<u>Less accumulated depreciation for:</u>				
Buildings	4,057,493	177,028	-	4,234,521
Building improvements	108,729	21,494	-	130,223
Improvements other than buildings	176,060	15,317	-	191,377
Mobile Equipment	1,919,898	124,227	121,249	1,922,876
Furniture and equipment	458,027	56,809	29,624	485,212
Leased property under capital leases	110,244	36,748	-	146,992
Total accumulated depreciation	<u>6,830,451</u>	<u>431,623</u>	<u>150,873</u>	<u>7,111,201</u>
Total depreciable capital assets, net	<u>9,213,676</u>	<u>(306,499)</u>	<u>18,057</u>	<u>8,889,120</u>
Governmental activities capital assets, net	<u>\$ 9,700,440</u>	<u>2,059,444</u>	<u>18,057</u>	<u>11,741,827</u>

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 248,969
Support services	167,621
Non-instructional	15,033
Total depreciation expense	\$ 431,623

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

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities		
North Pontotoc Elementary Building	\$ 2,488,100	708,483
Total	\$ 2,488,100	708,483

The balance of the projects are to be completed out of Building and Improvement fund.

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 5 - Long-term liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A Three-mill notes payable	\$ 2,537,196	-	272,134	2,265,062	227,320
B Shortfall note payable	297,179	-	146,063	151,116	151,116
C Obligations under capital leases	258,721	-	169,727	88,994	88,994
D Qualified school construction bonds payable	-	3,000,000	-	3,000,000	-
E Compensated absences payable	266,031	-	8,080	257,951	-
	<u>\$ 3,359,127</u>	<u>3,000,000</u>	<u>596,004</u>	<u>5,763,123</u>	<u>467,430</u>

A. Three-mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note	2.75-4.25%	10/01/02	10/01/17	\$ 2,200,000	1,599,000
Three Mill Note	4.33%	09/02/08	09/02/18	800,000	666,062
				<u>\$ 3,000,000</u>	<u>2,265,062</u>

1. Three mill notes payable issue of 10-1-02:

Year Ending June 30	Principal	Interest	Total
2012	\$ 156,000	67,503	223,503
2013	217,000	61,107	278,107
2014	225,000	51,993	276,993
2015	235,000	42,543	277,543
2016	245,000	32,555	277,555
2017-2018	521,000	33,405	554,405
	<u>\$ 1,599,000</u>	<u>289,106</u>	<u>1,888,106</u>

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 5 - Long-term liabilities (Continued)

The EEF Buildings and Buses revenue has been pledged for this debt. On December 10, 2002, the Pontotoc County School Board pledged its EEF Buildings and Buses revenue of \$94,000 annually for payment on the Three-Mill loan payable to Trustmark Bank. The debt issued was for the purpose of construction, repairs, and equipment for the school district. The commitment began with the 2002-2003 school year and ends with the 2015-2016 school year. The revenue from the state varies from year to year, but is all used for the debt retirement. For the year 2010-2011, the revenue was \$94,862. All of these funds were applied to the debt payment. The remainder of the debt payment of principal and interest of \$129,832 was paid out of District Maintenance.

2. Three mill notes payable issue of 09/02/08:

Year Ending June 30	Principal	Interest	Total
2012	\$ 71,320	29,248	100,568
2013	74,379	26,189	100,568
2014	77,716	22,852	100,568
2015	81,128	19,440	100,568
2016	84,690	15,878	100,568
2017-2019	276,829	24,876	301,705
	<u>\$ 666,062</u>	<u>138,483</u>	<u>804,545</u>

This debt will be retired from 2009 Building Project Note fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 227,320	96,751	324,071
2013	291,379	87,296	378,675
2014	302,716	74,845	377,561
2015	316,128	61,983	378,111
2016	329,690	48,433	378,123
2017-2019	797,829	58,281	856,110
	<u>\$ 2,265,062</u>	<u>427,589</u>	<u>2,692,651</u>

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 5 - Long-term liabilities (Continued)

B. Shortfall note payable

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2008 Shortfall Note	3.40%	9/20/08	9/20/11	\$ 437,801	151,116
				<u>\$ 437,801</u>	<u>151,116</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 151,116	5,135	156,251
	<u>\$ 151,116</u>	<u>5,135</u>	<u>156,251</u>

This debt will be retired from District Maintenance fund.

C. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of six buses at a cost of \$408,310 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for these leases are as follows:

1. The district makes semi-annual payments and at the end of the lease the equipment becomes the property of the Pontotoc County School District.

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2007A	5.30%	7/31/07	4/10/12	\$ 408,310	\$ 88,994
Total				<u>\$ 408,310</u>	<u>88,994</u>

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 5 - Long-term liabilities (Continued)

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2012	\$ 88,994	3,553	92,547
Total	\$ 88,994	3,553	92,547

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.

The debt will be retired from the District Maintenance Fund.

D. Qualified school construction bonds payable

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificate, Series 2010	5.75%	9/14/10	8/1/26	\$ 3,000,000	\$ 3,000,000
Total				\$ 3,000,000	3,000,000

E. Compensated absences payable

As more fully explained in Note 1(F)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 6 - Other commitments

Commitments under construction contracts are described in Note 4.

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 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 plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010, and 2009, were \$1,683,254, \$1,790,794, and \$1,715,946, respectively, which equaled the required contributions for each year.

Note 8 - Contingencies

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

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

Note 9 - Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 9 - Risk Management (Continued)

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 72 school districts and covers risks of loss arising from injuries to the member'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 Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 10 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$0. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending	Amount
June 30	
2012	\$ 125,000
2013	130,000
2014	130,000
2015	130,000
2016	130,000
2017-2021	950,000
2022-2026	1,170,000
Thereafter	235,000
Total	<u>\$ 3,000,000</u>

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 10 – Qualified School Construction Bonds (Continued)

The EEF Building and Buses revenue has been pledged for this debt. On June 28, 2010, the Pontotoc County School Board pledged its EEF Building and Buses revenue of \$102,848 annually for payment on the Qualified School Construction Bonds loan, subject to any prior pledge for the benefit of any obligation that is currently outstanding. The debt issued was for the purpose of construction, repairs, and equipment for the school district. The commitment will begin with the 2011-2012 school year and end with the 2024-2025 school year. The revenue from the state varies from year to year, but is all used for the debt retirement. For the year 2010-2011, the EEF revenue was \$94,862. All of these funds were applied to the debt payment of a currently outstanding debt obligation.

Note 11 - Vocational School Consortium

The school district entered into a Vocational Educational 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, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Pontotoc County School District and 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.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Pontotoc Ridge Career and Technical Center.

Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 11 - Vocational School Consortium (Continued)

Statement of Revenues, Expenditures and Changes in Fund Balance -- Vocational Funds
For the Year Ended June 30, 2011

Revenues	
Local sources	
Tuition from other LEA's within the state:	
Pontotoc City School District	\$ 63,581
State sources	939,387
Federal sources	55,395
Total revenues	<u>1,058,363</u>
Expenditures	
Salaries	906,720
Employee benefits	269,020
Purchased property services	58,712
Other purchased services	5,254
Supplies	23,623
Property	17,543
Other	275
Total expenditures	<u>1,281,147</u>
Excess (deficiency) of revenues over expenditures	<u>(222,784)</u>
Other Financial Sources (Uses)	
Operating transfers in	<u>222,784</u>
Total financing sources (uses)	<u>222,784</u>
Net change in fund balance	<u>-</u>
Fund Balance:	
July 1, 2010	<u>-</u>
June 30, 2011	<u>\$ -</u>

Note 12 - Insurance loss recoveries

The Pontotoc County School District received \$2,098 in insurance recoveries related to damage from a power surge at the Vo-Tech Center during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as expenditures and allocated among the expense functions based on the following percentages:

**Pontotoc County School District
Notes to the Financial Statements
For the Year Ended June 30, 2011**

Note 12 - Insurance loss recoveries (continued)

Insurance Loss Recoveries	Percentage	Expense Function
\$ 2,098	100%	Instruction
<u>\$ 2,098</u>	<u>100%</u>	

Note 13 - Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the District through March 16, 2012 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

This page left blank intentionally.

Pontotoc County School District
Budgetary Comparison Schedule General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Variances	
	Original	Final		Positive (Negative)	
				Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,300,834	4,166,813	4,166,813	(134,021)	-
State sources	15,507,318	14,638,451	14,638,451	(868,867)	-
Federal sources	90,550	156,737	156,737	66,187	-
Total Revenues	19,898,702	18,962,001	18,962,001	(936,701)	-
Expenditures:					
Instruction	13,401,847	11,496,637	11,496,637	1,905,210	-
Support services	5,522,942	5,690,735	5,690,735	(167,793)	-
Noninstructional services	22,000	30,569	30,569	(8,569)	-
Facilities acquisition and construction	-	4,026	4,026	(4,026)	-
Debt Service:					
Principal	467,097	302,859	217,879	164,238	84,980
Interest	-	-	84,980	-	(84,980)
Total Expenditures	19,413,886	17,524,826	17,524,826	1,889,060	-
Excess (deficiency) of revenues over expenditures	484,816	1,437,175	1,437,175	952,359	-
Other Financing Sources (Uses):					
Insurance recovery	-	2,098	2,098	2,098	-
Sale of transportation equipment	-	4,582	4,582	4,582	-
Operating transfers in	28,500	207,489	62,411	178,989	(145,078)
Operating transfers out	(100,000)	(923,862)	(778,784)	(823,862)	145,078
Total Other Financing Sources (Uses)	(71,500)	(709,693)	(709,693)	(638,193)	0
Net Change in Fund Balance	413,316	727,482	727,482	314,166	0
Fund Balances:					
July 1, 2010	1,016,693	1,016,693	1,016,693	-	-
June 30, 2011	\$ 1,430,009	1,744,175	1,744,175	314,166	0

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

Pontotoc County School District
Budgetary Comparison Schedule Food Service Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 472,800	485,661	485,661	12,861	-
State sources	10,000	20,838	20,838	10,838	-
Federal sources	830,500	1,239,334	1,239,334	408,834	-
Total Revenues	1,313,300	1,745,833	1,745,833	432,533	-
Expenditures:					
Support services	102,188	88,985	88,985	13,203	-
Noninstructional services	1,201,908	1,450,019	1,450,019	(248,111)	-
Total Expenditures	1,304,096	1,539,004	1,539,004	(234,908)	-
Excess (deficiency) of Revenues over Expenditures	9,204	206,829	206,829	197,625	-
Other Financing Sources (Uses)					
Operating transfers out	-	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	-	(50,000)	(50,000)	(50,000)	-
Net change in Fund Balance	9,204	156,829	156,829	147,625	-
Fund Balance:					
July 1, 2010	413,754	413,754	413,754	-	-
Increase (decrease) in reserve for inventory	-	24,265	24,265	24,265	-
June 30, 2011	\$ 422,958	594,848	594,848	171,890	-

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

Pontotoc County School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

1) Basis of Presentation

The Budgetary Comparison 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.

Pontotoc County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 228,071
National school lunch program	10.555	856,694
Summer food service program for children	10.559	3,227
Total child nutrition cluster		<u>1,087,992</u>
Team Nutrition Training Grant	10.574	1,001
Total passed-through Mississippi Department of Education		<u>1,088,993</u>
Total U.S. Department of Agriculture		<u>1,088,993</u>
U.S. Department of Labor		
Passed-through Three Rivers Planning and Development District:		
Workforce Investment Act Youth Activities	17.259	55,102
Total Passed-through Three Rivers Planning and Development District		<u>55,102</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.xxx	66,437
Total Federal Communications Commission		<u>66,437</u>
National Endowment for the Arts		
Passed-through Mississippi Arts Commission		
Promotion of the Arts-Partnership Agreements	45.025	10,659
Total National Endowment for the Arts		<u>10,659</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education		
Career and technical education-basic grants to states	84.048	55,395
Rehabilitation services-vocational rehabilitation grants to states	84.126	644
Special education state personnel development	84.323	2,872
English language acquisition grants	84.365	28,455
Improving teacher quality - state grants	84.367	127,790
ARRA State Fiscal Stabilization Fund (SFSF) - Education state grants, Recovery act	84.394	956,544
Education jobs fund	84.410	714,289
Subtotal		<u>1,885,989</u>
Technology Cluster		
Education technology state grants	84.318	3,990
ARRA education technology grants, Recovery Act	84.386	5,990
		<u>9,980</u>
Title I Cluster		
Title I Grants to local education agencies	84.010	601,036
ARRA Special education grants to states, Recovery Act	84.389	32,298
Total Title I Cluster		<u>633,334</u>

**Pontotoc County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

(Continued)

Federal Grantor Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Education (continued)		
Special Education Cluster		
Special education-grants to states	84.027	487,091
Special education-preschool grants	84.173	1,127
ARRA Special education grants to states, Recovery Act	84.391	479,465
ARRA Special education - preschool grant, Recovery Act	84.392	6,134
Total Special Education Cluster		973,817
Passed-through Mississippi Department of Education		
Total passed-through Mississippi Department of Education		3,503,120
Total U. S Department of Education		3,503,120
Total for All Federal Awards		\$ 4,724,311

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.

Pontotoc County School District
Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds
For the Year Ended June 30, 2011

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 18,887,654	15,278,334	614,869	1,080,507	1,913,944
Other	7,900,501	2,018,830	169,405	14,939	5,697,327
Total	\$ 26,788,155	17,297,164	784,274	1,095,446	7,611,271
Total Number of Students *	3,278				
Cost per Student	\$ 8,172	5,277	239	334	2,322

For the purposes of this schedule, the following columnar descriptions are applicable:
 Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teacher's aides or classroom assistants of any type.

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

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

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

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

Pontotoc County School District
Statement of Revenues, Expenditures and Changes in Fund Balances-
General Fund
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 4,166,813	3,699,226	4,241,903	3,730,365
Intermediate sources	-	400	-	-
State sources	14,638,451	15,108,611	16,050,974	16,126,426
Federal sources	156,737	305,510	153,628	144,481
Total Revenues	18,962,001	19,113,747	20,446,505	20,001,272
Expenditures:				
Instruction	11,496,637	13,121,262	14,159,462	13,356,895
Support services	5,690,735	6,330,812	6,018,763	6,398,339
Noninstructional services	30,569	21,223	10,127	9,206
Facilities acquisition and construction	4,026	122,157	114,479	337,112
Debt Service:				
Principal	217,879	447,201	425,893	356,911
Interest	84,980	116,886	35,029	41,275
Total Expenditures	17,524,826	20,159,541	20,763,753	20,499,738
Excess (Deficiency) of Revenues over(under) Expenditures	1,437,175	(1,045,794)	(317,248)	(498,466)
Other Financing Sources (Uses):				
Proceeds of bonds and notes	-	-	437,801	-
Inception of capital leases	-	-	-	408,310
Insurance recovery	2,098	-	-	41,857
Sale of transportation equipment	4,582	2,913	475	3,163
Operating transfers in	62,411	187,614	3,000	2,859
Operating transfers out	(778,784)	(437,523)	(365,409)	(381,266)
Total Other Financing Sources	(709,693)	(246,996)	75,867	74,923
Net Change in Fund Balances	727,482	(1,292,790)	(241,381)	(423,543)
Fund balances:				
Beginning of period	1,016,693	2,309,483	2,550,864	2,974,407
End of period	\$ 1,744,175	1,016,693	2,309,483	2,550,864

* SOURCE - PRIOR YEAR AUDIT REPORTS

Pontotoc County School District
Statement of Revenues, Expenditures and Changes in Fund Balances-
All Governmental Funds
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 5,164,260	4,601,660	5,057,385	4,479,707
Intermediate sources	41,441	42,703	72,056	10,744
State sources	15,787,052	16,324,683	18,004,478	17,406,496
Federal sources	4,949,290	4,479,911	2,528,172	2,606,087
Total Revenues	25,942,043	25,448,957	25,662,091	24,503,034
Expenditures:				
Instruction	15,190,514	16,951,094	16,846,497	15,306,434
Support services	6,987,267	7,273,833	7,184,021	7,438,238
Noninstructional services	1,488,912	1,389,928	1,511,231	1,457,887
Facilities acquisition and construction	2,365,943	190,943	430,115	512,757
Debt Service:				
Principal	587,924	701,249	754,785	670,398
Interest	131,150	157,865	140,482	161,748
Other	36,445	-	-	585
Total Expenditures	26,788,155	26,664,912	26,867,131	25,548,047
Excess (Deficiency) of Revenues over(under) Expenditures	(846,112)	(1,215,955)	(1,205,040)	(1,045,013)
Other Financing Sources (Uses):				
Proceeds bonds and notes	3,000,000	-	1,237,801	-
Inception of capital leases	-	-	-	408,310
Insurance recovery	2,098	-	39,795	41,857
Sale of transportation equipment	4,582	2,913	475	3,163
Operating transfers in	841,195	625,137	368,409	384,125
Operating transfers out	(841,195)	(625,137)	(368,409)	(384,125)
Total Other Financing Sources	3,006,680	2,913	1,278,071	453,330
Net Change in Fund Balances	2,160,568	(1,213,042)	73,031	(591,683)
Fund balances:				
Beginning of period	1,891,963	3,117,518	3,038,723	3,625,913
Increase(decrease) in reserve for inventory	24,265	(12,513)	5,764	4,493
End of period	\$ 4,076,796	1,891,963	3,117,518	3,038,723

* SOURCE - PRIOR YEAR AUDIT REPORTS

This page left blank intentionally.



Certified Public Accountants
Locations in Corinth, MS & Booneville, MS

Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

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

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

Superintendent and School Board
Pontotoc County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pontotoc County School District as of and for the year ended June 30, 2011, which collectively comprise Pontotoc County School District's basic financial statements and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Parsons, Venable & Co. P.A.

March 16, 2012
Booneville, Mississippi



Certified Public Accountants
Locations in Corinth, MS & Booneville, MS

Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

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

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

Superintendent and School Board
Pontotoc County School District

Compliance

We have audited Pontotoc County School District's compliance with the types of compliance requirements described in the (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each Pontotoc County School District's major federal programs for the year ended June 30, 2011. The Pontotoc County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Pontotoc County School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 Pontotoc County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the audit procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

Brewer Vansteyn & Co. P.A.

March 16, 2012
Booneville, Mississippi



Certified Public Accountants
Locations in Corinth, MS & Booneville, MS

Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

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

INDEPENDENT AUDITOR'S 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, 2011, which collectively comprise Pontotoc County School District's basic financial statements and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$38,998 of classroom supply funds carried over from previous years.

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

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

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

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

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

Parsons, Vansteyn & Co. P.A.

March 16, 2012

Booneville, Mississippi

**Pontotoc County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported
5. Type of auditor's report issued on compliance for major federal programs: Unqualified
6. Any audit findings disclosed that are required to be reported in Section __.501 (a) of Circular A-133? No
7. Identified of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.027, 84.173, 84.391, 84.392 Special Education Cluster

84.394 ARRA State Fiscal Stabilization Fund - Education State Grants, Recovery Act

84.410 Education Jobs Fund

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

**Pontotoc County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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