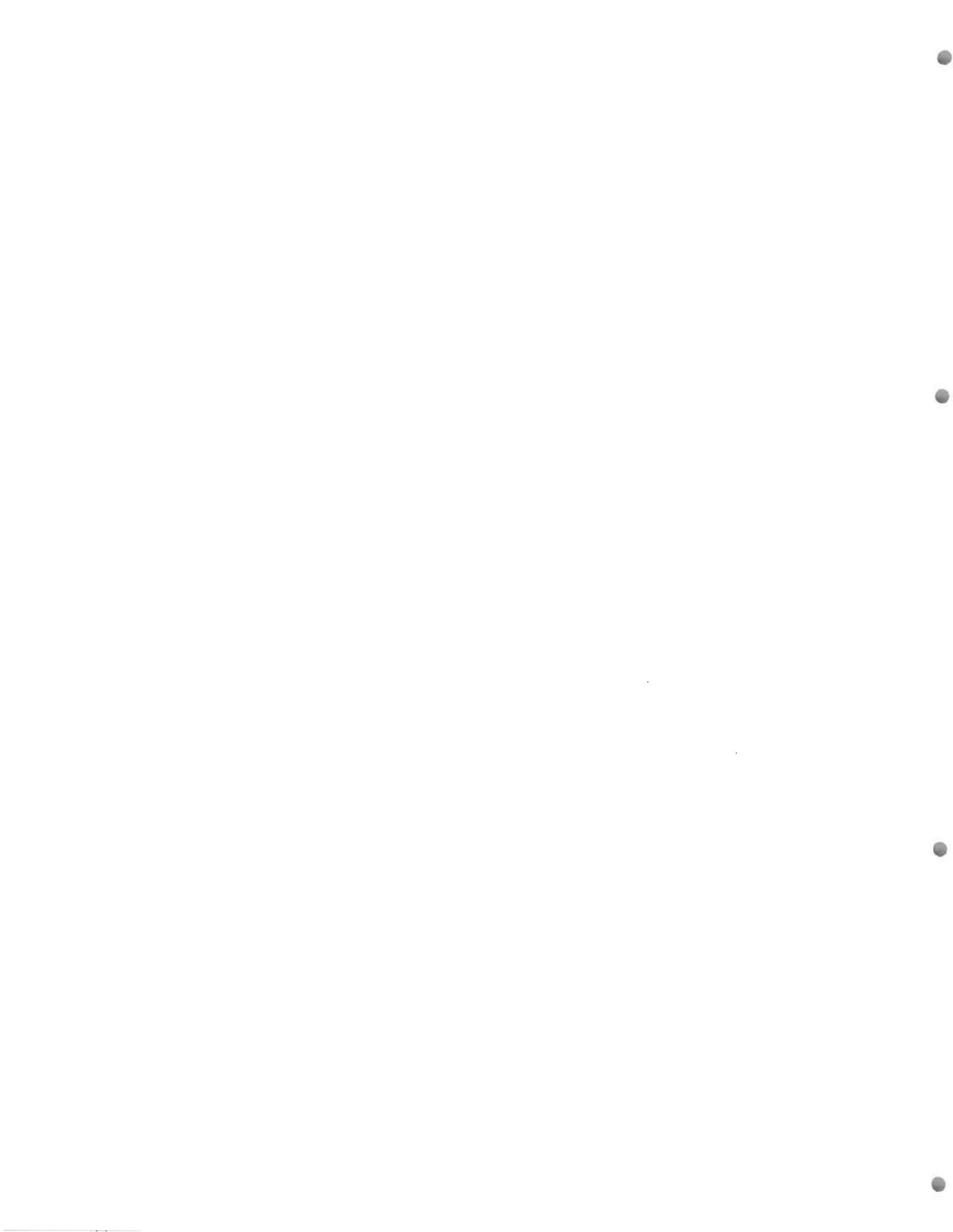




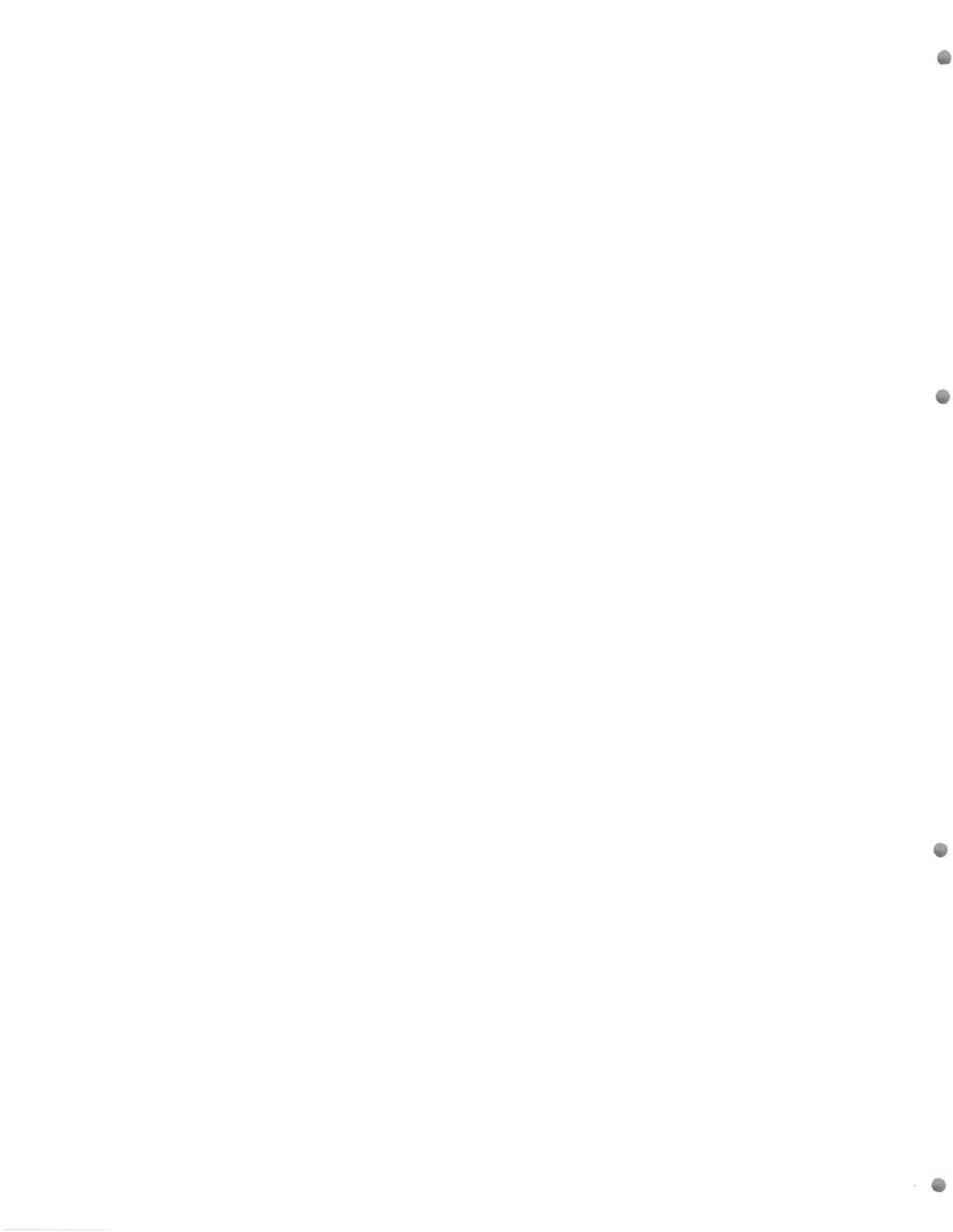
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PONTOTOC CITY SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2012



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JUNE 30, 2012**

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

Superintendent and School Board
Pontotoc City 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 City School District as of and for the year ended June 30, 2012, which collectively comprise the Pontotoc City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pontotoc City 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 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to 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 City School District, as of June 30, 2012, 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 May 10, 2013, on our consideration of the Pontotoc City 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 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 supplementary 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 City School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) 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 City School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Byhawmer, Vanstony & Co. P.A.

May 10, 2013
Booneville, MS

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

The following discussion and analysis of Pontotoc City School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2012 increased \$153,869, which represents a 0.78% increase from fiscal year 2011. Total net assets for 2011 increased \$701,181, which represents a 3.71% increase from fiscal year 2010.
- General revenues amounted to \$14,148,561 and \$13,953,680, or 78.30% and 77.29% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,920,300, or 21.70% of total revenues for 2012, and \$4,099,176, or 22.71% of total revenues for 2011.
- The District had \$17,914,992 and \$17,351,675 in expenses for fiscal years 2012 and 2011; only \$3,920,300 for 2012 and \$4,099,176 for 2011 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,148,561 for 2012 and \$13,953,680 for 2011 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,593,795 in revenues and \$14,255,713 in expenditures for 2012, and \$13,576,039 in revenues and \$12,610,497 in expenditures in 2011. The General Fund's fund balance decreased by \$1,151,079 from 2011 to 2012, and increased by \$1,097,160 from 2010 to 2011.
- Capital assets, net of accumulated depreciation, decreased by \$160,092 for 2012 and increased by \$2,355,033 for 2011. The decrease for 2012 was due to the addition of \$246,640 in construction in progress and \$171,145 in mobile equipment, coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$20,281 for 2012 and decreased by \$3,769,320 for 2011. This decrease for 2012 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$4,519 for 2012 and increased by \$5,032 for 2011.

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 supplementary information, supplementary information, and other information.

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Government-wide Financial Statements

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

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

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

The government-wide financial statements outline 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 CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

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 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 Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary 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.

Supplementary 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 CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$19,766,081 as of June 30, 2012.

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, 2012 and June 30, 2011.

**Table 1
Condensed Statement of Net Assets**

	June 30, 2012	June 30, 2011	Percentage Change
Current assets	\$ 4,786,628	4,716,045	1.50%
Restricted assets	586,903	391,456	49.93%
Capital assets, net	18,142,880	18,302,972	-0.87%
Total assets	<u>23,516,411</u>	<u>23,410,473</u>	0.45%
Current liabilities	485,376	513,026	-5.39%
Long-term debt outstanding	3,264,954	3,285,235	-0.62%
Total liabilities	<u>3,750,330</u>	<u>3,798,261</u>	-1.26%
Net Assets:			
Invested in capital assets, net of related debt	15,018,880	15,154,172	-0.89%
Restricted	3,720,829	2,273,773	63.64%
Unrestricted	1,026,372	2,184,267	-53.01%
Total net assets	<u>\$ 19,766,081</u>	<u>19,612,212</u>	0.78%

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

- Decrease in net capital assets in the amount of \$160,092
- The principal retirement of \$24,800 of long-term debt.

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

Changes in net assets

The District's total revenues for the fiscal year ended June 30, 2012 and June 30, 2011 were \$18,068,861 and \$18,052,856, respectively. The total cost of all programs and services was \$17,914,992 for 2012 and \$17,351,675 for 2011.

Table 2 presents a summary of the changes in net assets for the fiscal year ended June 30, 2012 and June 30, 2011.

**Table 2
Changes in Net Assets**

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 867,235	838,214	3.46%
Operating grants and contributions	2,893,348	3,184,531	-9.14%
Capital grants and contributions	159,717	76,431	108.97%
General revenues:			
Property taxes	3,271,941	3,232,360	1.22%
Grants and contributions not restricted	10,635,165	10,493,639	1.35%
Investment earnings	92,639	107,567	-13.88%
Other	148,816	120,114	23.90%
Total revenues	<u>18,068,861</u>	<u>18,052,856</u>	0.09%
Expenses:			
Instruction	11,260,024	11,054,060	1.86%
Support services	5,463,895	5,151,344	6.07%
Non-instructional	1,165,873	1,103,921	5.61%
Interest on long-term debt	25,200	42,350	-40.50%
Total expenses	<u>17,914,992</u>	<u>17,351,675</u>	3.25%
Increase (decrease) in nets assets	<u>153,869</u>	<u>701,181</u>	-78.06%
Net assets, July 1	<u>19,612,212</u>	<u>18,911,031</u>	3.71%
Net assets, June 30	<u>\$ 19,766,081</u>	<u>19,612,212</u>	0.78%

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 CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Figure 1
Sources of Revenues for Fiscal Year 2012

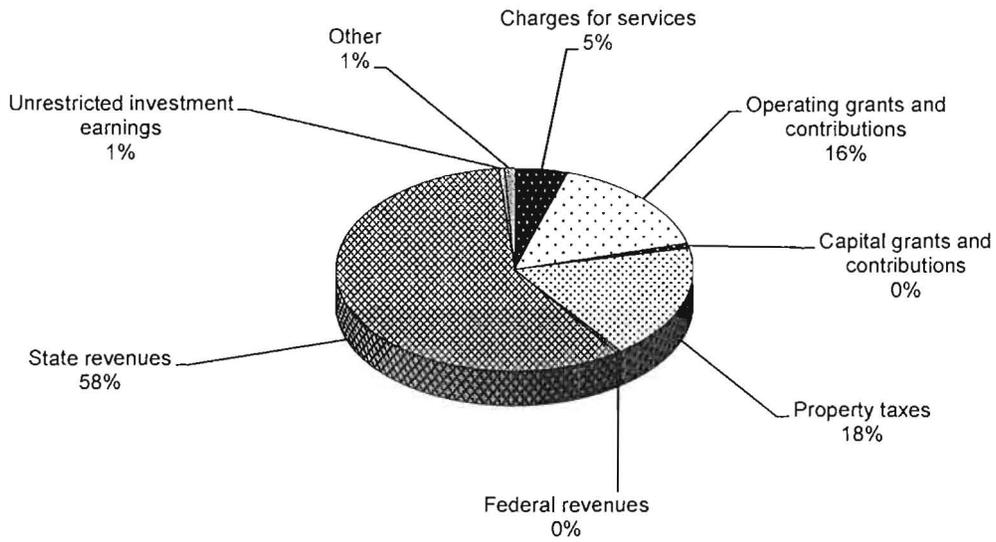
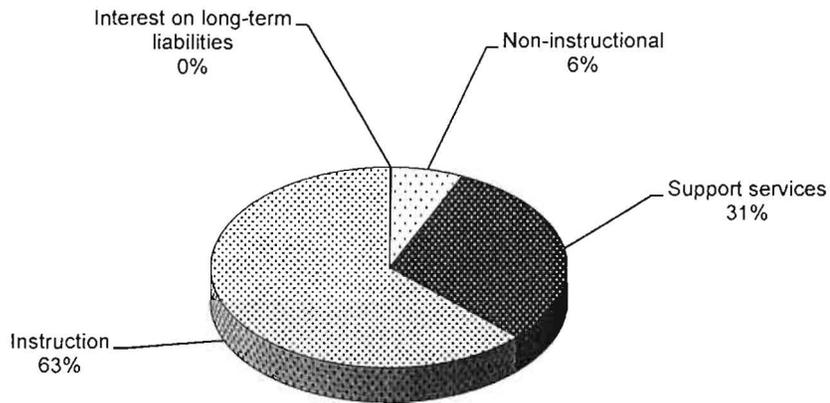


Figure 2
Expenses for Fiscal Year 2012



**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

**Table 3
Net cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	
Instruction	\$ 11,260,024	11,054,060	1.86%
Support services	5,463,895	5,151,344	6.07%
Non-instructional	1,165,873	1,103,921	5.61%
Interest on long-term liabilities	25,200	42,350	-40.50%
Total expenses	<u>\$ 17,914,992</u>	<u>17,351,675</u>	3.25%

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2012</u>	<u>2011</u>	
Instruction	\$ (9,295,909)	(8,700,630)	6.84%
Support services	(4,714,134)	(4,551,191)	3.58%
Non-instructional	40,551	41,672	-2.69%
Interest on long-term liabilities	(25,200)	(42,350)	-40.50%
Total net (expense) revenue	<u>\$ (13,994,692)</u>	<u>(13,252,499)</u>	5.60%

- Net cost of governmental activities (\$13,994,692 for 2012 and \$13,252,499 for 2011) was financed by general revenue, which is primarily made up of property taxes (\$3,271,941 for 2012 and \$3,232,360 for 2011) and state and federal revenues (\$10,635,165 for 2012 and \$10,493,639 for 2011).
- Investment earnings amounted to \$92,639 for 2012 and \$107,567 for 2011.

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 \$4,880,485, an increase of \$295,977, which includes a decrease in inventory of \$8,133. \$885,592 or 18.15% of the fund balance is unassigned, which represents the residual classification of 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 \$3,994,893 or 81.85% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,151,079. The fund balance of Other Governmental Funds showed an increase in the amount of \$195,976. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Food Service Fund	\$ 56,161
Title I Fund	no increase or decrease
Special Capital Projects Fund	\$ 1,313,184
Qualified Zone Academy Bonds	\$ (118,265)

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.

- Original budget amounts for General Fund local revenue underestimated ad valorem tax revenues by \$41,068.
- Original budget amounts for General Fund local revenue overestimated other student activity revenues in the amount of \$1,207,111.
- 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 local sources overestimated Lunchroom sales revenues in the amount of \$117,163.
- Budget amounts for School Food Service Fund revenue from federal sources underestimated National School Lunch revenues in the amount of \$33,943.
- Budget amounts for School Food Service Fund revenue from federal sources did not consider Donated Commodities revenue in the amount of \$58,639.
- Actual expenditures were below budget, because the total project amount for Title I Fund was budgeted for July 1 – June 30, 2012, but all amounts were not spent until the next fiscal year.
- Original budget amounts for Special Capital Projects Fund revenues and other sources did not consider investment earnings in the amount of \$30,251 and operating transfers in in the amount of \$1,450,000.

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

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2012, the District's total capital assets were \$26,475,467, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$456,893 from 2011. Total accumulated depreciation as of June 30, 2012, was \$8,332,587 and total depreciation expense for the year was \$635,269, resulting in total net capital assets of \$18,142,880.

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Land	\$ 959,770	959,770	0.00%
Construction in progress	173,365	3,077,564	-94.37%
Buildings	14,404,911	11,631,258	23.85%
Building improvements	1,664,469	1,742,021	-4.45%
Improvements other than buildings	159,275	169,627	-6.10%
Mobile equipment	711,843	653,594	8.91%
Furniture and equipment	69,247	69,138	0.16%
Total	<u>\$ 18,142,880</u>	<u>18,302,972</u>	-0.87%

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

Debt Administration. At June 30, 2012, the District had \$3,264,954 in outstanding long-term debt, of which \$24,800 is due within one year. The liability for compensated absences increased \$4,519 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Qualified school construction bonds	\$ 3,000,000	3,000,000	0.00%
Qualified zoned academy bonds payable	124,000	148,800	-16.67%
Compensated absences payable	140,954	136,435	3.31%
Total	<u>\$ 3,264,954</u>	<u>3,285,235</u>	-0.62%

Additional information on the District's long-term debt can be found in Note 6 included in this report.

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT ISSUES

The Pontotoc City 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 revenue.

Enrollment for the 2011-2012 year decreased by 3.87% to 2,112 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Pontotoc City School District, 140 Education Drive, Pontotoc, MS 38863.

PONTOTOC CITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,167,062
Due from other governments	536,604
Other receivables, net	1,323
Inventories	42,251
Prepaid items	11,834
Deferred debt issuance costs	27,554
Restricted assets	586,903
Capital assets, non-depreciable:	
Land	959,770
Construction in progress	173,365
Capital assets, net of accumulated depreciation:	
Buildings	14,404,911
Building improvements	1,664,469
Improvements other than buildings	159,275
Mobile equipment	711,843
Furniture and equipment	69,247
Total Assets	23,516,411
Liabilities	
Accounts payable and accrued liabilities	465,492
Interest payable on long-term liabilities	19,884
Long-term liabilities, due within one year:	
Capital related liabilities	24,800
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,099,200
Non-capital related liabilities	140,954
Total Liabilities	3,750,330
Net Assets	
Invested in capital assets, net of related debt	15,018,880
Restricted for:	
Expendable:	
School -based activities	317,542
Debt service	571,428
Capital improvements	2,789,757
Unemployment benefits	42,102
Unrestricted	1,026,372
Total Net Assets	\$ 19,766,081

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

PONTOTOC CITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2012

Exhibit B

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 11,260,024	502,048	1,372,272	89,795	(9,295,909)
Support services	5,463,895	57,150	622,689	69,922	(4,714,134)
Non-instructional	1,165,873	308,037	898,387	-	40,551
Interest on long-term liabilities	25,200	-	-	-	(25,200)
Total Governmental Activities	\$ 17,914,992	867,235	2,893,348	159,717	(13,994,692)
General Revenues:					
Taxes:					
					3,094,169
					177,772
Unrestricted grants and contributions:					
					10,543,359
					91,806
					92,639
					148,816
					14,148,561
					153,869
					19,612,212
					\$ 19,766,081

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

PONTOTOC CITY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2012

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	Special Capital Projects Fund	2006 QZAB Building Project Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents	\$ 723,425	369,724	-	2,884,100	79,023	435,684	4,491,956
Investments	-	-	-	-	-	262,009	262,009
Due from other governments	290,656	-	106,270	-	-	139,678	536,604
Other receivables	-	-	1,321	-	-	-	1,321
Due from other funds	286,087	-	-	-	-	-	286,087
Inventories	-	42,251	-	-	-	-	42,251
Prepaid items	11,834	-	-	-	-	-	11,834
Total assets	1,312,002	411,975	107,591	2,884,100	79,023	837,371	5,632,062
Liabilities and Fund Balances							
Liabilities :							
Accounts payable and accrued liabilities	172,230	783	37,852	94,458	78,908	81,261	465,492
Due to other funds	-	93,650	69,739	-	-	122,696	286,085
Total liabilities	172,230	94,433	107,591	94,458	78,908	203,957	751,577
Fund Balances:							
Nonspendable:							
Inventory	-	42,251	-	-	-	-	42,251
Prepaid items	11,834	-	-	-	-	-	11,834
Restricted:							
Debt service	-	-	-	-	-	591,312	591,312
Capital projects	-	-	-	2,789,642	115	-	2,789,757
Food service	-	275,291	-	-	-	-	275,291
Unemployment	-	-	-	-	-	42,102	42,102
Assigned	242,346	-	-	-	-	-	242,346
Unassigned	885,592	-	-	-	-	-	885,592
Total fund balances	1,139,772	317,542	-	2,789,642	115	633,414	4,880,485
Total liabilities and fund balances	\$ 1,312,002	411,975	107,591	2,884,100	79,023	837,371	5,632,062

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

PONTOTOC CITY SCHOOL DISTRICT
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

Exhibit C-1

Total fund balances for governmental funds \$ 4,880,485

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	959,770	
	Construction in progress	173,365	
	Buildings	19,786,551	
	Building improvements	2,823,808	
	Improvements other than buildings	397,036	
	Mobile equipment	1,896,136	
	Furniture and equipment	438,801	
	Accumulated depreciation	<u>(8,332,587)</u>	18,142,880
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:		
	General obligation bonds	(3,124,000)	
	Compensated absences	(140,954)	
	Unamortized charges	27,554	
	Accrued interest payable	<u>(19,884)</u>	(3,257,284)
	Net assets of governmental activities		<u><u>\$ 19,766,081</u></u>

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

PONTOTOC CITY SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	Special Capital Projects Fund	2006 QZAB Building Projects Fund	Other Governmental Funds	
Revenues:							
Local sources	\$ 3,787,254	378,874	-	30,251	1,527	182,725	4,380,631
State sources	10,714,734	12,511	-	-	-	353,527	11,080,772
Federal sources	91,807	927,222	586,023	-	-	1,002,406	2,607,458
Total revenues	14,593,795	1,318,607	586,023	30,251	1,527	1,538,658	18,068,861
Expenditures:							
Instruction	9,647,676	-	336,869	-	-	1,178,962	11,163,507
Support services	4,608,037	58,569	245,202	-	40,885	218,719	5,171,412
Noninstructional	-	1,153,094	3,952	-	-	-	1,157,046
Facilities acquisition and construction	-	-	-	147,002	78,907	20,731	246,640
Debt service:							
Principal	-	-	-	-	-	24,800	24,800
Interest	-	-	-	-	-	25,200	25,200
Other	-	-	-	-	-	2,600	2,600
Total Expenditures	14,255,713	1,211,663	586,023	147,002	119,792	1,471,012	17,791,205
Excess (Deficiency) of Revenues over (under) Expenditures	338,082	106,944	-	(116,751)	(118,265)	67,646	277,656
Other Financing Sources (Uses)							
Insurance loss recoveries	26,454	-	-	-	-	-	26,454
Operating transfers in	56,678	-	-	1,450,000	-	142,358	1,649,036
Operating transfers out	(1,572,293)	(42,650)	-	(20,065)	-	(14,028)	(1,649,036)
Total Other Financing Sources (Uses)	(1,489,161) [▼]	(42,650) [▼]	- [▼]	1,429,935 [▼]	-	128,330	26,454
Net Change in Fund Balances	(1,151,079)	64,294	-	1,313,184	(118,265)	195,976	304,110
Fund Balances:							
July 1, 2011	2,290,851	261,381	-	1,476,458	118,380	437,438	4,584,508
Increase (Decrease) in reserve for inventory	-	(8,133)	-	-	-	-	(8,133)
June 30, 2012	\$ 1,139,772	317,542	-	2,789,642	115	633,414	4,880,485

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

PONTOTOC CITY SCHOOL DISTRICT
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2012 **Exhibit D-1**

Net change in fund balances - total governmental funds **\$ 304,110**

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

1.	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay	479,305	
	Depreciation expense	(635,269)	(155,964)
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.		(4,128)
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:		
	Payments of debt principal		24,800
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	(4,519)	
	Change in inventory reserve	(8,133)	
	Amortization of deferred charges, premiums and discounts	(2,297)	(14,949)
	Change in net assets of governmental activities		\$ 153,869

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

PONTOTOC CITY SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2012

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 591,291
Total assets	591,291
 Liabilities	
Accounts payable and accrued liabilities	581,892
Due to other funds	2
Due to student clubs	9,397
Total liabilities	\$ 591,291

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

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

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 definition.

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Pontotoc since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Pontotoc City 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:

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.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

2. Restricted net assets result when constraints placed on net assets 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.

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

Title I Fund – This fund accounts for the revenues and expenditures of providing this program of learning.

Special Capital Projects Fund – This fund is used to account for financial resources for acquisition or construction of major capital facilities.

2006 QZAB Building Project Fund – This fund is used to account for the payment of construction and capital acquisitions.

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 Fiduciary Funds include the following:

Activity Agency Fund – This fund is used to account for revenues and expenditures of various student clubs in the district.

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

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Mediflex Fund – This fund is used to account for employee benefits payable and the payment of those benefits.

Payroll Clearing – This fund is used to account for salaries and related salaries 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 CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (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 city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

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

E. Encumbrances

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

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

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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 funds type inventories are reported as expenditures when purchased.

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

funds.

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.

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 5 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

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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 6 for details.

9. Fund Balances

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

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

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

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

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

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 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

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Note 2 – Cash and Cash Equivalents, and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,491,956 and \$591,291, respectively.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 2 – Cash and Cash Equivalents, and Investments (Continued)

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, 2012, none of the district’s bank balance of \$5,640,174 was exposed to custodial credit risk.

Investments

As of June 30, 2012, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Performance U. S. Treasury Fund	not rated	less than 1 year	\$ 262,009

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

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

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2012, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Performance U. S. Treasury Fund	\$ 262,009	100%

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

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	School food service	\$ 93,650
	Title I	69,739
	Other governmental funds	122,696
	Fiduciary funds	<u>2</u>
Total		<u>\$ 286,087</u>

Inter-fund loans are temporary loans until funds are received from grantors.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Special capital projects	\$ 1,450,000
	Other governmental funds	122,293
School food service fund	General Fund	42,650
Special capital projects fund	Other governmental funds	20,065
Other governmental funds	General Fund	<u>14,028</u>
Total		<u>\$ 1,649,036</u>

Operating transfers were for indirect cost to the General Fund for \$56,678. At year end the District transferred \$1,450,000 to Special capital projects fund for construction costs, and \$122,293 to other governmental funds as support. Special capital projects transferred \$20,065 to other governmental funds for construction costs.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$73,951, of the QZAB Bond Retirement Fund. In addition, the restricted assets represent the cash and investment balance, totaling \$250,943 and \$262,009, respectively, of the QSCB Note Fund.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 5 – Capital Assets

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

	Balance 7/1/2011	Increases	Decreases	Balance 6/30/2012
<u>Governmental Activities:</u>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 959,770	-	-	959,770
Construction in progress	3,077,564	246,640	3,150,839	173,365
Total non-depreciable capital assets	4,037,334	246,640	3,150,839	1,133,135
<u>Depreciable capital assets:</u>				
Buildings	16,635,712	3,150,839	-	19,786,551
Building improvements	2,788,408	35,400	-	2,823,808
Improvements other than buildings	397,036	-	-	397,036
Mobile equipment	1,724,991	171,145	-	1,896,136
Furniture and equipment	435,093	26,120	22,412	438,801
Total depreciable capital assets	21,981,240	3,383,504	22,412	25,342,332
<u>Less accumulated depreciation for:</u>				
Buildings	5,004,454	377,186	-	5,381,640
Building improvements	1,046,387	112,952	-	1,159,339
Improvements other than buildings	227,409	10,352	-	237,761
Mobile equipment	1,071,397	112,896	-	1,184,293
Furniture and equipment	365,955	21,883	18,284	369,554
Total accumulated depreciation	7,715,602	635,269	18,284	8,332,587
Total depreciable capital assets, net	14,265,638	2,748,235	4,128	17,009,745
Governmental activities capital assets, net	\$ 18,302,972	2,994,875	3,154,967	18,142,880

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 200,560
Support services	434,709
	<u>\$ 635,269</u>

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 5 – Capital Assets (Continued)

Construction in progress is composed of:

	Spent to June 30, 2012	Remaining Commitment
High School reroof project	\$ 173,365	216,783
Total	\$ 173,365	216,783

Construction projects included in governmental activities are funded with Qualified School Construction Bond Funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2011	Additions	Reductions	Balance 6/30/2012	Amounts due within one year
A. Qualified Zone Academy bonds payable	\$ 148,800	-	24,800	124,000	24,800
B. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
C. Compensated absences	136,435	4,519	-	140,954	-
Total	\$ 3,285,235	4,519	24,800	3,264,954	24,800

A. Qualified zone academy bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy bonds	N/A	9/15/2006	9/15/2016	\$ 248,000	124,000
Total				\$ 248,000	124,000

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 6 – Long-term Liabilities (Continued)

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 24,800	-	24,800
2014	24,800	-	24,800
2015	24,800	-	24,800
2016	24,800	-	24,800
2017	24,800	-	24,800
	<u>\$ 124,000</u>	<u>-</u>	<u>124,000</u>

B. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0.84%	9/15/2009	9/15/2024	\$ 3,000,000	3,000,000
Total				<u>\$ 3,000,000</u>	<u>3,000,000</u>

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

Year Ending June 30	Principal	Interest	Total
2013	\$ -	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018-2022	-	-	-
2023-2025	3,000,000	-	3,000,000
	<u>\$ 3,000,000</u>	<u>-</u>	<u>3,000,000</u>

C. 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.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – 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 Employee's 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, 2012 was 12.93% 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, 2012, 2011, and 2010 were \$1,294,211, \$1,202,650, and \$1,216,296, respectively, which equaled the required contributions for each year.

Note 9 – 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 regulation, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Note 10 – 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 CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 10 – 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 84 school districts and covers risks of loss arising from injuries to the members' 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.

Note 11 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an arrangement dated September 15, 2006. This agreement authorizes the issuance of trust certificates in the principal amount of \$248,000, which is being paid currently. Approximately \$240,739 was used to provide financing for the renovation, repair and equipping the Pontotoc High School; the remainder of approximately \$7,261 was used to pay the cost of issuance.

Note 12 – 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, 2012 was \$262,009. 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.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 12 – Qualified School Construction Bonds (Continued)

Year Ending June 30	Amount
2013	\$ 200,000
2014	200,000
2015	200,000
2016	201,000
2017	201,000
2018-2022	1,085,000
2023-2025	651,000
	<u>\$ 2,738,000</u>

The EEF Building and Buses revenue has been pledged for this debt. On November 9, 2009, the Pontotoc City School Board pledged revenue of \$62,647 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, repair, and equipment for the school district. The commitment began in the fiscal year 2010-2011 and will 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 2011-2012, the EEF revenue was \$69,922, of which, \$62,647 was applied to the debt payment of the Qualified School Construction Bonds loan.

Note 13 – 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 consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the 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.

Note 14 – Insurance Loss Recoveries

The Pontotoc City School District received \$26,454 in insurance loss recoveries during the 2011-2012 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction of expenditures and allocated among the expenditure functions based on use as follows:

Insurance Loss		
Recoveries	Percentage	Expenditure Function
\$ 26,454	100.00%	Support Services

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2012

Note 15 – Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Pontotoc City School District evaluated the activity of the district through May 10, 2013, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

PONTOTOC CITY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,950,226	3,787,255	3,787,254	(1,162,971)	(1)
State sources	10,707,302	10,714,734	10,714,734	7,432	-
Federal sources	89,000	91,807	91,807	2,807	-
Total revenues	15,746,528	14,593,796	14,593,795	(1,152,732)	(1)
Expenditures:					
Instruction	9,925,993	9,647,676	9,647,676	278,317	-
Support services	4,901,713	4,608,037	4,608,037	293,676	-
Total Expenditures	14,827,706	14,255,713	14,255,713	571,993	-
Excess (Deficiency) of Revenues over (under) Expenditures	918,822	338,083	338,082	(580,739)	(1)
Other Financing Sources (Uses)					
Insurance recoveries	-	26,454	26,454	26,454	-
Operating transfers in	1,977,160	113,719	56,678	(1,863,441)	(57,041)
Operating transfers out	(2,801,413)	(1,629,335)	(1,572,293)	1,172,078	57,042
Total Other Financing Sources (Uses)	(824,253)	(1,489,162)	(1,489,161)	(664,909)	1
Net Change in Fund Balances	94,569	(1,151,079)	(1,151,079)	(1,245,648)	-
Fund Balances:					
July 1, 2011	2,290,851	2,290,851	2,290,851	-	-
June 30, 2012	\$ 2,385,420	1,139,772	1,139,772	(1,245,648)	-

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

PONTOTOC CITY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
School Food Service Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 470,156	378,874	378,874	(91,282)	-
State sources	12,000	12,511	12,511	511	-
Federal sources	830,509	914,428	927,222	83,919	12,794
Total revenues	1,312,665	1,305,813	1,318,607	(6,852)	12,794
Expenditures:					
Support services	57,678	58,569	58,569	(891)	-
Noninstrucional	1,157,318	1,140,300	1,153,094	17,018	(12,794)
Total Expenditures	1,214,996	1,198,869	1,211,663	16,127	(12,794)
Excess (Deficiency) of Revenues over (under) Expenditures	97,669	106,944	106,944	9,275	-
Other Financing Sources (Uses)					
Operating transfers out	(44,650)	(42,650)	(42,650)	2,000	-
Total Other Financing Sources (Uses)	(44,650)	(42,650)	(42,650)	2,000	-
Net Change in Fund Balances	53,019	64,294	64,294	11,275	-
Fund Balances:					
July 1, 2011	261,381	261,381	261,381	-	-
Increas (decrease) in reserve for inventory	(8,133)	(8,133)	(8,133)	-	-
June 30, 2012	\$ 306,267	317,542	317,542	11,275	-

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

PONTOTOC CITY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive Original to Final	(Negative) Final to Actual
	Original	Final			
Revenues:					
Federal sources	\$ 511,664	586,023	586,023	74,359	-
Total revenues	511,664	586,023	586,023	74,359	-
Expenditures:					
Instruction	471,177	336,869	336,869	134,308	-
Support services	44,373	245,202	245,202	(200,829)	-
Noninstrucitonal	139,515	3,952	3,952	135,563	-
Total Expenditures	655,065	586,023	586,023	69,042	-
Excess (Deficiency) of Revenues over (under) Expenditures	(143,401)	-	-	143,401	-
Other Financing Sources (Uses)					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(143,401)	-	-	143,401	-
Fund Balances:					
July 1, 2011	-	-	-	-	-
June 30, 2012	\$ (143,401)	-	-	143,401	-

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

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2012

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 CITY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education		
Child nutrition cluster:		
School breakfast program	10.553	\$ 256,639
National school lunch program	10.555	628,313
Total child nutrition cluster		<u>884,952</u>
Total passed-through Mississippi Department of Education		<u>884,952</u>
Total U.S. Department of Agriculture		<u>884,952</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	39,831
Total Federal Communications Commission		<u>39,831</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Education technology state grants	84.318	1,054
Rural education	84.358	33,369
English language acquisition grants	84.365	23,516
Improving teacher quality state grants	84.367	99,886
Subtotal		<u>157,825</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	586,023
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	49,680
Total Title I cluster		<u>635,703</u>
Special education cluster:		
Special education - grants to states	84.027	513,245
Special education - preschool grants	84.173	31,368
ARRA - Special education grants to states, Recovery Act	84.391	210,050
ARRA - Special education - preschool grants, Recovery Act	84.392	13,664
Total special education cluster		<u>768,327</u>
ARRA - Education technology state grants, Recovery Act	84.386	11,839
Education jobs fund	84.410A	14,735
Total passed-through Mississippi Department of Education		<u>1,588,429</u>
Total U.S. Department of Education		<u>1,588,429</u>
Total for All Federal Awards		<u>\$ 2,513,212</u>

PONTOTOC CITY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2012

NOTES TO SCHEDULE

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

PONTOTOC CITY SCHOOL DISTRICT
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2012

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,795,084	10,727,469	533,442	871,119	1,663,054
Other	3,996,121	1,569,299	175,708	3,284	2,247,830
Total	<u>17,791,205</u>	<u>12,296,768</u>	<u>709,150</u>	<u>874,403</u>	<u>3,910,884</u>
 Total number of students*	<u>2,112</u>				
 Cost per student	<u>\$ 8,424</u>	<u>5,822</u>	<u>336</u>	<u>414</u>	<u>1,852</u>

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

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

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

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

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

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

PONTOTOC CITY SCHOOL DISTRICT
 Other Information
 Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Last Four Years
 UNAUDITED

	2012	2011*	2010*	2009*
Revenues:				
Local sources	\$ 3,787,254	3,712,104	3,936,295	3,989,197
State sources	10,714,734	9,776,140	9,932,870	10,737,765
Federal sources	91,807	87,795	80,503	79,741
Total revenues	<u>14,593,795</u>	<u>13,576,039</u>	<u>13,949,668</u>	<u>14,806,703</u>
Expenditures:				
Instruction	9,647,676	8,427,778	9,035,262	9,782,543
Support services	4,608,037	4,174,979	4,323,680	4,080,101
Facilities acquisition and construction	-	-	203,656	36,494
Debt service:				
Principal	-	7,552	14,556	38,097
Interest	-	188	924	2,533
Total Expenditures	<u>14,255,713</u>	<u>12,610,497</u>	<u>13,578,078</u>	<u>13,939,768</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>338,082</u>	<u>965,542</u>	<u>371,590</u>	<u>866,935</u>
Other Financing Sources (Uses)				
Sale of other property	-	-	-	178
Insurance loss recoveries	26,454	-	-	-
Operating transfers in	56,678	309,823	62,417	57,363
Operating transfers out	(1,572,293)	(178,205)	(481,264)	(686,817)
Total Other Financing Sources (Uses)	<u>(1,489,161)</u>	<u>131,618</u>	<u>(418,847)</u>	<u>(629,276)</u>
Net Change in Fund Balances	<u>(1,151,079)</u>	<u>1,097,160</u>	<u>(47,257)</u>	<u>237,659</u>
Fund Balances:				
Beginning of period	<u>2,290,851</u>	<u>1,193,691</u>	<u>1,240,948</u>	<u>1,003,289</u>
End of period	<u>\$ 1,139,772</u>	<u>2,290,851</u>	<u>1,193,691</u>	<u>1,240,948</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

PONTOTOC CITY SCHOOL DISTRICT
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2012	2011*	2010*	2009*
Revenues:				
Local sources	\$ 4,380,631	4,308,462	4,644,840	4,750,680
State sources	11,080,772	10,265,116	10,643,145	11,660,741
Federal sources	2,607,458	3,479,277	3,445,534	2,070,373
Total revenues	<u>18,068,861</u>	<u>18,052,855</u>	<u>18,733,519</u>	<u>18,481,794</u>
Expenditures:				
Instruction	11,163,507	10,918,898	11,405,565	11,378,640
Support services	5,171,412	4,678,881	5,264,803	4,710,732
Noninstructional	1,157,046	1,118,813	1,083,176	1,035,215
Facilities acquisition and construction	246,640	2,904,574	2,488,940	706,806
Debt service:				
Principal	24,800	3,774,352	319,356	327,897
Interest	25,200	23,583	20,274	37,410
Other	2,600	5,905	37,159	52,872
Total Expenditures	<u>17,791,205</u>	<u>23,425,006</u>	<u>20,619,273</u>	<u>18,249,572</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>277,656</u>	<u>(5,372,151)</u>	<u>(1,885,754)</u>	<u>232,222</u>
Other Financing Sources (Uses)				
Bonds and notes issued	-	-	3,000,000	2,252,000
Sale of other property	-	-	-	778
Insurance loss recoveries	26,454	-	-	-
Operating transfers in	1,649,036	488,028	543,681	744,180
Operating transfers out	(1,649,036)	(488,028)	(543,681)	(744,180)
Total Other Financing Sources (Uses)	<u>26,454</u>	<u>-</u>	<u>3,000,000</u>	<u>2,252,778</u>
Net Change in Fund Balances	<u>304,110</u>	<u>(5,372,151)</u>	<u>1,114,246</u>	<u>2,485,000</u>
Fund Balances:				
Beginning of period	4,584,508	9,941,309	8,819,845	6,330,381
Increase (Decrease) in reserve for inventory	<u>(8,133)</u>	<u>15,350</u>	<u>7,218</u>	<u>4,464</u>
End of period	<u>\$ 4,880,485</u>	<u>4,584,508</u>	<u>9,941,309</u>	<u>8,819,845</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS



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

Superintendent and School Board
Pontotoc City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pontotoc City School District as of and for the year ended June 30, 2012, which collectively comprise Pontotoc City School District's basic financial statements and have issued our report thereon dated May 10, 2013. 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 City School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Pontotoc City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pontotoc City School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pontotoc City 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 previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting, Finding 2012-1. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pontotoc City 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pontotoc City School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Pontotoc City School District's response and, accordingly, we express no opinion on it.

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.

Pyrawner, Venstary & Co. P.A.

May 10, 2013
Booneville, MS



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

Superintendent and School Board
Pontotoc City School District

Compliance

We have audited Pontotoc City 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 of Pontotoc City School District's major federal programs for the year ended June 30, 2012. Pontotoc City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pontotoc City School District's management. Our responsibility is to express an opinion on Pontotoc City 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 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 Pontotoc City 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 of Pontotoc City School District's compliance with those requirements.

In our opinion, Pontotoc City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Pontotoc City School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pontotoc City School Districts internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and

report on internal control over compliance 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 Pontotoc City 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Pyrauner, Vanstony & Co. P.A

May 10, 2013
Booneville, MS



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

Superintendent and School Board
Pontotoc City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pontotoc City School District as of and for the year ended June 30, 2012, which collectively comprise Pontotoc City School District's basic financial statements and have issued our report thereon dated May 10, 2013. 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 \$-0- 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 statement 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.

Byrnes, Venetky & Co. P.A.

May 10, 2013
Booneville, MS

**PONTOTOC CITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section I: 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? Yes
3. Noncompliance material to financial statements noted? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified? None Reported
5. Type of auditor's report issued on compliance for major programs: Unqualified
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? None Reported
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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84.010 84.389	Title I Cluster
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84.027 84.173 84.391 84.392	Special Education Cluster
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8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
- 9 Auditee qualified as low-risk auditee? No

Section II: Financial Statement Findings

The results of our tests disclosed the following finding related to the financial statements that are required to be reported under *Government Auditing Standards*.

Finding 2012-1

Condition: As in the prior year, the school district's internal control procedures were inadequate in that the activity deposits are not being made in a timely manner. Due to the timing of the prior year audit the school district was unable to correct the inadequacies until the end of this audit period. In tests performed, we found that only thirteen out of forty two items tested were deposited in a timely manner. The rest of the items were deposited three or more business days after the event in which money was collected.

Criteria: Management is responsible for implementing proper controls over cash to insure that deposits are made timely.

Cause: The schools, where money is collected, are holding the money three or more days, before taking to the central office to be deposited.

Effect: Failure to have controls in place could result in loss of revenues.

Recommendation: We recommend that the district put controls in place to insure that money is collected and turned in to the central office to be deposited in a timely manner.

Response: The Pontotoc City School District will have financial training at the beginning of each school year for all employees. All funds collected will be properly receipted, counted, and transported to the central office for deposit within twenty-four hours. No large sums of money will be kept in school building vaults overnight.

Section III: Federal Award Findings and Questioned Costs

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

