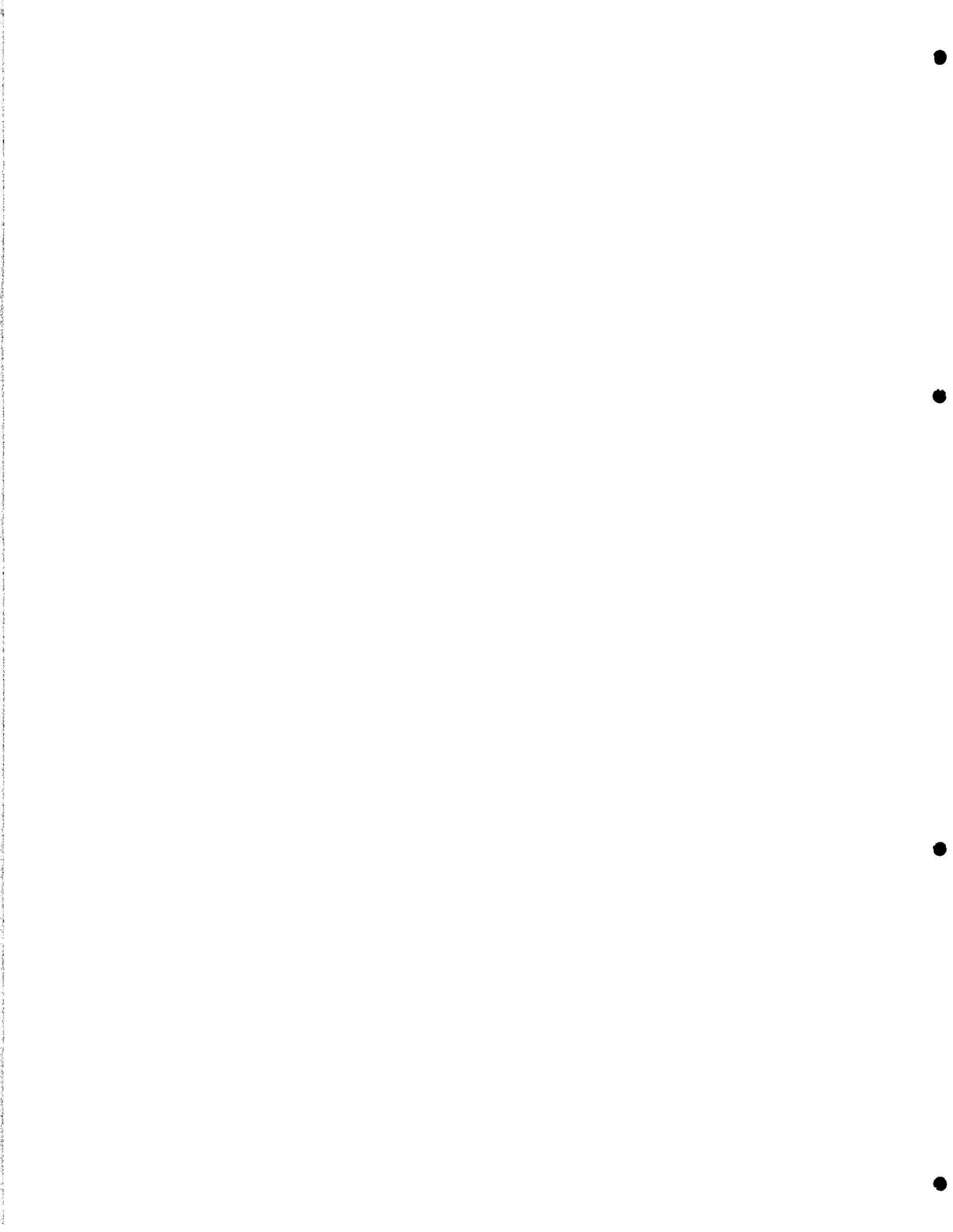




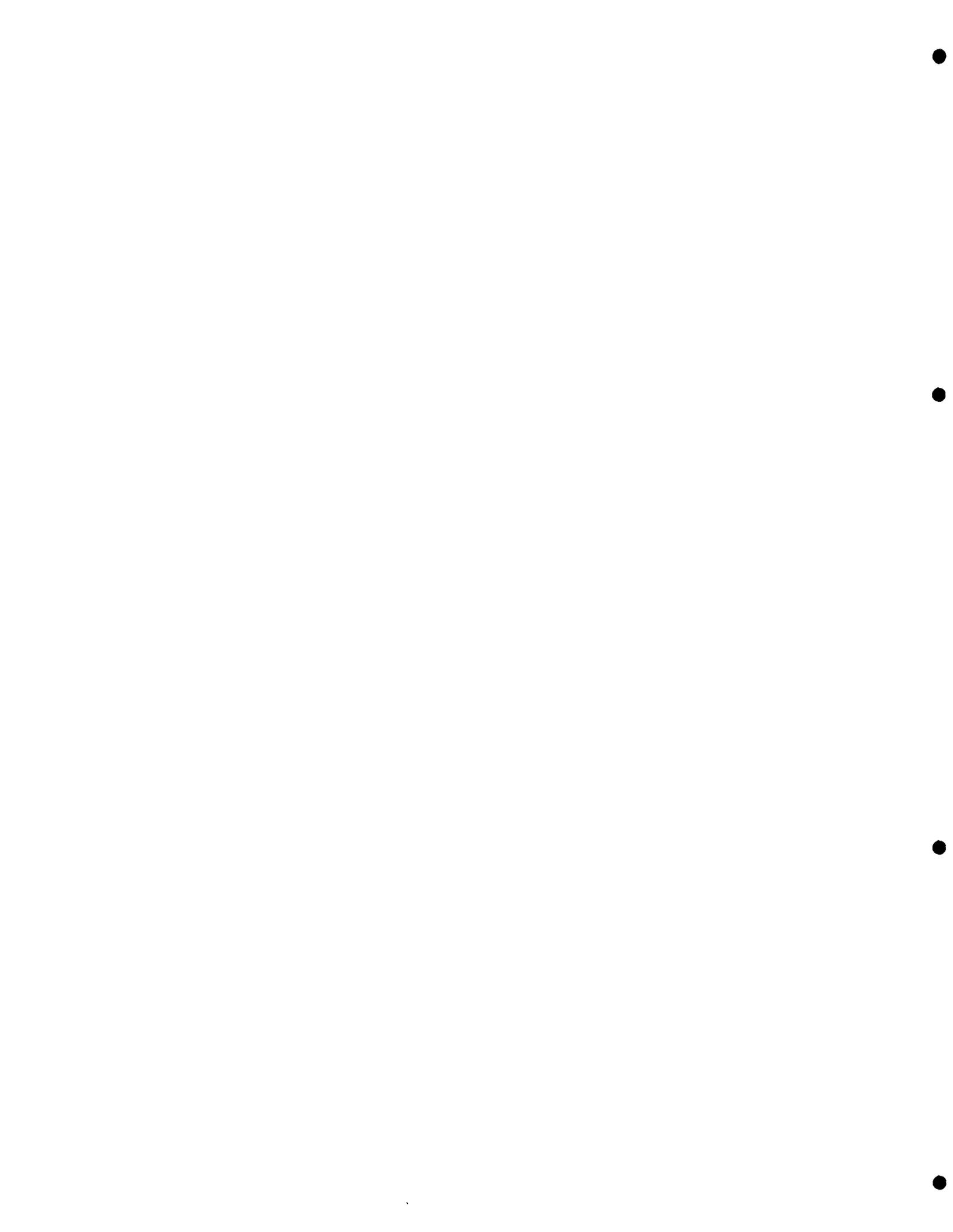
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PONTOTOC CITY SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2013



PONTOTOC CITY SCHOOL DISTRICT
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 JUNE 30, 2013

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

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

106 South First Street
P. O. Box 540
Booneville, Mississippi 38829

Telephone (662)728-6172
Fax (662)728-6176

INDEPENDENT AUDITOR'S REPORT

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, 2013, and the related notes to the financial statements, which collectively comprise the Pontotoc City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pontotoc City School District, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-13 and 37-39 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.

Other Information

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), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and 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 are presented for purposes of additional analysis and are not a required part of the 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), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2014, 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 on 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 in considering Pontotoc City School District's internal control over financial reporting and compliance.

Parsons, Venstary & Co. P.A

Booneville, MS
April 21, 2014

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. 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 position for 2013 increased \$57,775, including a prior period adjustment of (\$809), which represents a 0.29% increase from fiscal year 2012. Total net position for 2012 increased \$153,869, which represents a 0.78% increase from fiscal year 2011.
- General revenues amounted to \$14,547,174 and \$14,148,561, or 80.24% and 78.30% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,582,545, or 19.76% of total revenues for 2013, and \$3,920,300, or 21.70% of total revenues for 2012.
- The District had \$18,071,135 and \$17,914,992 in expenses for fiscal years 2013 and 2012; only \$3,582,545 for 2013 and \$3,920,300 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,547,174 for 2013 and \$14,148,561 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,883,195 in revenues and \$14,565,168 in expenditures for 2013, and \$14,593,795 in revenues and \$14,255,713 in expenditures in 2012. The General Fund's fund balance increased by \$239,579, including a prior period adjustment of (\$809) from 2012 to 2013, and decreased by \$1,151,079 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$35,473 for 2013 and decreased by \$160,092 for 2012. The decrease for 2013 was due to the addition of \$121,000 in land, \$304,000 in buildings and \$159,233 in construction in progress, coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$49,893 for 2013 and decreased by \$20,281 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$25,093 for 2013 and increased by \$4,519 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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 Position 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 Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position, 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, 2013**

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 financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

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

Required Supplemental Information

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

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$19,823,856 as of June 30, 2013.

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 position at June 30, 2013 and June 30, 2012.

**Table 1
Condensed Statement of Net Position**

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 5,346,721	\$ 4,786,628	11.70 %
Restricted assets	765,098	586,903	30.36 %
Capital assets, net	18,107,407	18,142,880	-0.20 %
Total assets	24,219,226	23,516,411	2.99 %
Current liabilities	1,180,309	485,376	143.17 %
Long-term debt outstanding	3,215,061	3,264,954	-1.53 %
Total liabilities	4,395,370	3,750,330	17.20 %
Net position:			
Net investment in capital assets related debt	15,008,207	15,018,880	-0.07 %
Restricted	3,526,901	3,720,829	-5.21 %
Unrestricted	1,288,748	1,026,372	25.56 %
Total net position	\$ 19,823,856	\$ 19,766,081	0.29 %

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

- Decrease in net capital assets in the amount of \$35,473.
- The principal retirement of \$24,800 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$18,129,719 and \$18,068,861, respectively. The total cost of all programs and services was \$18,071,135 for 2013 and \$17,914,992 for 2012.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 848,268	\$ 867,235	-2.19 %
Operating grants and contributions	2,656,190	2,893,348	-8.20 %
Capital Grants and Contributions	78,087	159,717	-51.11 %
General revenues:			
Property taxes	3,291,873	3,271,941	0.61 %
Grants and contributions not restricted	10,991,064	10,635,165	3.35 %
Investment earnings	5,477	92,639	-94.09 %
Other	258,760	148,816	73.88 %
Total revenues	18,129,719	18,068,861	0.34 %
Expenses:			
Instruction	11,191,880	11,260,024	-0.61 %
Support services	5,681,015	5,463,895	3.97 %
Non-instructional	1,173,040	1,165,873	0.61 %
Interest on long-term liabilities	25,200	25,200	0.00 %
Total expenses	18,071,135	17,914,992	0.87 %
Increase (Decrease) in net position	58,584	153,869	-61.93 %
Net Position, July 1, as previously reported	19,766,081	19,612,212	0.78 %
Prior Period Adjustment	(809)	-	N/A
Net Position, July 1, as restated	19,765,272	19,612,212	0.78 %
Net Position, June 30	\$ 19,823,856	\$ 19,766,081	0.29 %

PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Figure 1
Sources of Revenues for Fiscal Year 2013

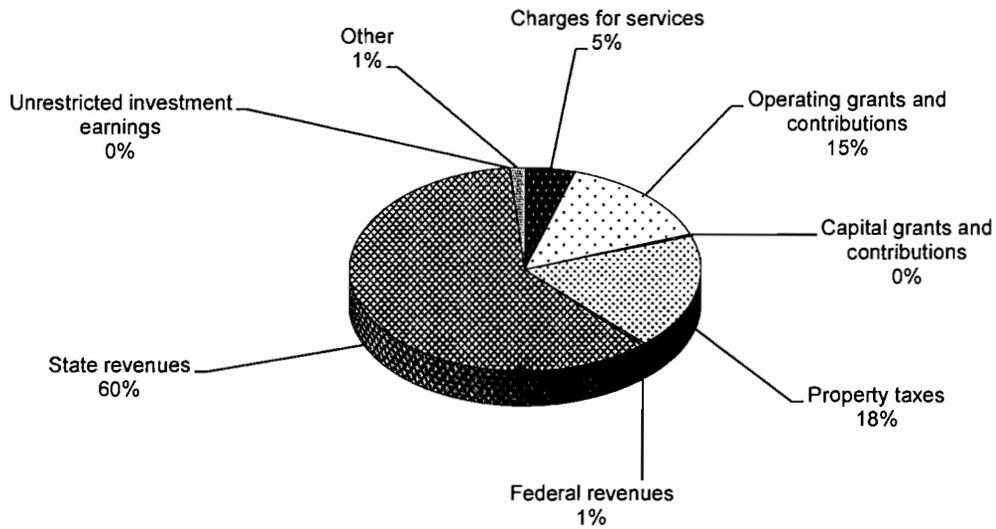
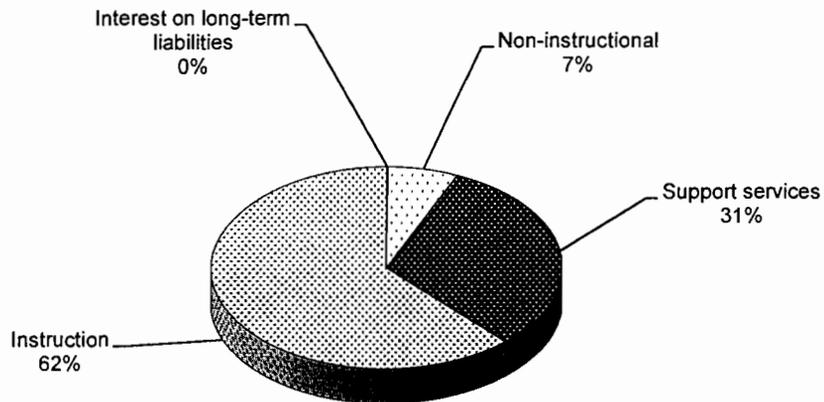


Figure 2
Expenses for Fiscal Year 2013



**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 11,191,880	\$ 11,260,024	(0.61) %
Support services	5,681,015	5,463,895	3.97 %
Non-instructional	1,173,040	1,165,873	0.61 %
Interest on long-term liabilities	25,200	25,200	0.00 %
Total expenses	\$ 18,071,135	\$ 17,914,992	0.87 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (9,555,543)	\$ (9,295,909)	2.79 %
Support services	(5,005,217)	(4,714,134)	6.17 %
Non-instructional	97,370	40,551	140.12 %
Interest on long-term liabilities	(25,200)	(25,200)	0.00 %
Total net (expense) revenue	\$ (14,488,590)	\$ (13,994,692)	3.53 %

- Net cost of governmental activities (\$14,488,590 for 2013 and \$13,994,692 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$3,291,873 for 2013 and \$3,271,941 for 2012) and state and federal revenues (\$10,991,064 for 2013 and \$10,635,165 for 2012).
- Investment earnings amounted to \$5,477 for 2013 and \$92,639 for 2012.

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.

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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 \$4,926,136, an increase of \$45,651, which includes a prior period adjustment of (\$809) and a decrease in inventory of \$5,772. \$1,148,762 or 23.32% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,777,374 or 76.68% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$239,579, net of a prior period adjustment of(\$809). The fund balance of Other Governmental Funds showed an increase in the amount of \$268,218, which includes a decrease in reserve for inventory of \$5,772. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Special Capital Projects Fund	\$ (462,146)
IDEA Part B Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

- Budget amounts for General Fund revenue from local sources underestimated ad valorem tax revenues by \$50,537.
- Original budget amounts for General Fund revenue from local sources did not consider donations revenues in the amount of \$124,109.
- Budget amounts for General Fund revenue from local sources underestimated other student activity revenues by \$338,205.
- Budget amounts for General Fund revenue from state sources overestimated MAEP revenues by \$154,666.
- Budget amounts for General Fund revenue from state sources underestimated master teacher revenues by \$55,383.
- Original budget amounts for General Fund revenue from state sources did not consider educable child revenues in the amount of \$19,060.
- Actual expenditures were below budget, because the total project amount for IDEA Part B Fund was budgeted for July 1 – June 30, 2013, but all amounts were not spent until the next fiscal year.
- Budget amounts for Special Capital Projects Fund revenue from local sources underestimated contributions revenues by \$119,928.
- Budget amounts for Special Capital Projects Fund expenditures underestimated facilities acquisition and construction expenditures by \$324,102.

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$27,078,888, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$603,421 from 2012. Total accumulated depreciation as of June 30, 2013, was \$8,971,481, and total depreciation expense for the year was \$650,089, resulting in total net capital assets of \$18,107,407.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 1,080,770	\$ 959,770	12.61 %
Construction in Progress	-	173,365	-100.00 %
Buildings	14,325,645	14,404,911	-0.55 %
Building improvements	1,870,811	1,664,469	12.40 %
Improvements other than buildings	148,923	159,275	-6.50 %
Mobile equipment	606,014	711,843	-14.87 %
Furniture and equipment	75,244	69,247	8.66 %
Total	<u>\$ 18,107,407</u>	<u>\$ 18,142,880</u>	-0.20 %

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

Debt Administration. At June 30, 2013, the District had \$3,215,061 in outstanding long-term debt, of which \$24,800 is due within one year. The liability for compensated absences decreased \$25,093 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Qualified school construction bonds payable	\$ 3,000,000	\$ 3,000,000	0.00 %
Qualified zoned academy bonds payable	99,200	124,000	-20.00 %
Compensated absences payable	115,861	140,954	-17.80 %
Total	<u>\$ 3,215,061</u>	<u>\$ 3,264,954</u>	-1.53 %

**PONTOTOC CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

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 an internal financial control is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2012-2013 year increased by 0.73% to 2,211 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 Position
June 30, 2013

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,725,749
Due from other governments	547,684
Other receivables, net	2
Inventories	36,479
Prepaid items	11,550
Deferred debt issuance costs	25,257
Restricted assets	765,098
Capital assets, non-depreciable:	
Land	1,080,770
Capital assets, net of accumulated depreciation:	
Buildings	14,325,645
Building improvements	1,870,811
Improvements other than buildings	148,923
Mobile equipment	606,014
Furniture and equipment	75,244
Total Assets	<u>24,219,226</u>
Liabilities	
Accounts payable and accrued liabilities	1,158,946
Unearned Revenue	1,480
Interest payable on long-term liabilities	19,883
Long-term liabilities, due within one year:	
Capital related liabilities	24,800
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,074,400
Non-capital related liabilities	115,861
Total Liabilities	<u>4,395,370</u>
Net Position	
Net Investment in Capital Assets	15,008,207
Restricted for:	
Expendable:	
School -based activities	408,044
Debt service	751,391
Capital improvements	2,327,496
Unemployment benefits	39,970
Unrestricted	1,288,748
Total Net Position	<u>\$ 19,823,856</u>

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

PONTOTOC CITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 11,191,880	492,288	1,144,049	-	(9,555,543)
Support services	5,681,015	56,844	550,363	68,591	(5,005,217)
Non-instructional	1,173,040	299,136	961,778	9,496	97,370
Interest on long-term liabilities	25,200	-	-	-	(25,200)
Total Governmental Activities	\$ 18,071,135	848,268	2,656,190	78,087	(14,488,590)
General Revenues:					
Taxes:					
					3,108,168
					183,705
Unrestricted grants and contributions:					
					10,908,340
					82,724
					5,477
					258,760
					14,547,174
					58,584
					19,766,081
					(809)
					19,765,272
					\$ 19,823,856

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

PONTOTOC CITY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2013

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	IDEA Part B Fund	Special Capital Projects Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 1,787,779	\$ -	\$ 2,327,496	\$ 927,548	\$ 5,042,823
Investments	-	-	-	448,024	448,024
Due from other governments	287,230	142,331	-	118,123	547,684
Due from other funds	223,070	-	-	1,611	224,681
Inventories	-	-	-	36,479	36,479
Prepaid items	11,550	-	-	-	11,550
Total assets	<u>2,309,629</u>	<u>142,331</u>	<u>2,327,496</u>	<u>1,531,785</u>	<u>6,311,241</u>
Liabilities and Fund Balances					
Liabilities :					
Accounts payable and accrued liabilities	\$ 928,667	\$ 35,633	\$ -	\$ 194,646	1,158,946
Due to other funds	1,611	106,698	-	116,370	224,679
Unearned Revenue	-	-	-	1,480	1,480
Total liabilities	<u>930,278</u>	<u>142,331</u>	<u>-</u>	<u>312,496</u>	<u>1,385,105</u>
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	36,479	36,479
Prepaid items	11,550	-	-	-	11,550
Restricted:					
Debt service	-	-	-	771,275	771,275
Capital projects	-	-	2,327,496	-	2,327,496
Unemployment	-	-	-	39,970	39,970
Food Services	-	-	-	371,565	371,565
Assigned:					
Activity Funds	219,039	-	-	-	219,039
Unassigned					
	<u>1,148,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,148,762</u>
Total fund balances	<u>1,379,351</u>	<u>-</u>	<u>2,327,496</u>	<u>1,219,289</u>	<u>4,926,136</u>
Total liabilities and fund balances	<u>\$ 2,309,629</u>	<u>\$ 142,331</u>	<u>\$ 2,327,496</u>	<u>\$ 1,531,785</u>	<u>\$ 6,311,241</u>

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 Position
June 30, 2013

Exhibit C-1

Total fund balances for governmental funds **\$ 4,926,136**

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	1,080,770	
	Buildings	20,090,551	
	Building improvements	3,156,406	
	Improvements other than buildings	397,036	
	Mobile equipment	1,896,136	
	Furniture and equipment	457,989	
	Accumulated depreciation	<u>(8,971,481)</u>	18,107,407
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	(3,099,200)	
	Compensated absences	(115,861)	
	Unamortized charges	25,257	
	Accrued interest payable	<u>(19,883)</u>	(3,209,688)
3	Rounding		<u>1</u>
	Net position of governmental activities		<u><u>\$ 19,823,856</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, 2013

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	IDEA Part B Fund	Special Capital Projects Fund	Other Governmental Funds	
Revenues:					
Local sources	\$ 3,737,116	\$ -	\$ 121,971	\$ 545,290	\$ 4,404,377
State sources	11,063,355	-	-	348,222	11,411,577
Federal sources	82,724	541,758	-	1,689,282	2,313,764
Total revenues	<u>14,883,195</u>	<u>541,758</u>	<u>121,971</u>	<u>2,582,794</u>	<u>18,129,718</u>
Expenditures:					
Instruction	9,780,772	277,301	-	958,075	11,016,148
Support services	4,784,396	253,807	-	196,117	5,234,320
Noninstructional	-	-	-	1,176,207	1,176,207
Facilities acquisition and construction	-	-	584,117	116	584,233
Debt service:					
Principal	-	-	-	24,800	24,800
Interest	-	-	-	25,200	25,200
Other	-	-	-	2,600	2,600
Total Expenditures	<u>14,565,168</u>	<u>531,108</u>	<u>584,117</u>	<u>2,383,115</u>	<u>18,063,508</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>318,027</u>	<u>10,650</u>	<u>(462,146)</u>	<u>199,679</u>	<u>66,210</u>
Other Financing Sources (Uses)					
Operating transfers in	67,650	-	-	145,289	212,939
Operating transfers out	(145,289)	(10,650)	-	(57,000)	(212,939)
Other financing uses	-	-	-	(13,978)	(13,978)
Total Other Financing Sources (Uses)	<u>(77,639)</u>	<u>(10,650)</u>	<u>-</u>	<u>74,311</u>	<u>(13,978)</u>
Net Change in Fund Balances	<u>240,388</u>	<u>-</u>	<u>(462,146)</u>	<u>273,990</u>	<u>52,232</u>
Fund Balances:					
July 1, 2012, as previously reported	1,139,772	-	2,789,642	951,071	4,880,485
Prior period adjustments	(809)	-	-	-	(809)
July 1, 2012, as restated	<u>1,138,963</u>	<u>-</u>	<u>2,789,642</u>	<u>951,071</u>	<u>4,879,676</u>
Increase (Decrease) in reserve for inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,772)</u>	<u>(5,772)</u>
June 30, 2013	<u>\$ 1,379,351</u>	<u>\$ -</u>	<u>\$ 2,327,496</u>	<u>\$ 1,219,289</u>	<u>\$ 4,926,136</u>

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 **Exhibit D-1**
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 52,232

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	614,729	
Depreciation expense	<u>(650,089)</u>	(35,360)

- 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 position differs from the change in fund balance by the cost of the assets sold. (113)

- 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	25,094	
Change in inventory reserve	(5,772)	
Amortization of deferred charges, premiums and discounts	<u>(2,297)</u>	17,025

Change in net position of governmental activities \$ 58,584

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

PONTOTOC CITY SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2013

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 15,560
Total assets	<u>15,560</u>
Liabilities	
Due to other funds	\$ 2
Due to student clubs	15,558
Total liabilities	<u>\$ 15,560</u>

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, 2013

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. 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.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

IDEA Part B Fund – This fund is used to account for the federal revenues and expenditures of the Special Education Program

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

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

The District's fiduciary funds include the following:

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.

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.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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

In the government-wide Statement of Net Position 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.

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.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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 is both restricted and unrestricted net position 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 2012 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.

D. Encumbrances

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

E. Assets, liabilities, and net position

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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 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.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

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:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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 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.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

9. Fund Balances

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

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

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

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

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

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

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

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 \$5,042,823 and \$15,560, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$5,405,933 was exposed to custodial credit risk.

Investments

As of June 30, 2013, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Performance U. S. Treasury Fund	not rated	less than 1 year	\$ 448,024

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

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

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, 2013, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Performance U. S. Treasury Fund	\$ 448,024	100%

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

Receivable Fund	Payable Fund	Amount
General Fund	IDEA Fund Part B	106,698
	Other Governmental	116,370
	Fiduciary Fund	2
Other governmental funds	General fund	1,611
Total		\$ 224,681

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

B. Inter-fund Transfers

Tranfers Out	Tranfers In	Amount
General Fund	Other governmental funds	\$ 145,289
Other governmental funds	General Fund	57,000
IDEA Part B Fund	General Fund	10,650
Total		\$ 212,939

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 3 – Inter-fund Receivables, Payables and Transfers (Continued)

Operating transfers were for indirect cost to the General Fund for \$67,650. At year end the District transferred \$145,289 to other governmental funds as support.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$69,731, of the QZAB Bond Retirement Fund. In addition, the restricted assets represent the cash and investment balance, totaling \$247,343 and \$448,024, respectively, of the QSCB Note Fund.

Note 5 – Capital Assets

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

	<u>Balance 7/1/2012</u>	<u>Increases</u>	<u>Transfers Decreases</u>	<u>Balance 6/30/2013</u>
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 959,770	121,000	-	1,080,770
Construction in progress	173,365	159,233	(332,598)	-
Total non-depreciable capital assets	<u>1,133,135</u>	<u>280,233</u>	<u>(332,598)</u>	<u>1,080,770</u>
<u>Depreciable capital assets:</u>				
Buildings	19,786,551	304,000	-	20,090,551
Building improvements	2,823,808	-	332,598	3,156,406
Improvements other than buildings	397,036	-	-	397,036
Mobile equipment	1,896,136	-	-	1,896,136
Furniture and equipment	438,801	30,496	(11,308)	457,989
Total depreciable capital assets	<u>25,342,332</u>	<u>334,496</u>	<u>321,290</u>	<u>25,998,118</u>
<u>Less accumulated depreciation for:</u>				
Buildings	5,381,640	383,266	-	5,764,906
Building improvements	1,159,339	126,256	-	1,285,595
Improvements other than buildings	237,761	10,352	-	248,113
Mobile equipment	1,184,293	105,829	-	1,290,122
Furniture and equipment	369,554	24,386	11,195	382,745
Total accumulated depreciation	<u>8,332,587</u>	<u>650,089</u>	<u>11,195</u>	<u>8,971,481</u>
Total depreciable capital assets, net	<u>17,009,745</u>	<u>(315,593)</u>	<u>332,485</u>	<u>17,026,637</u>
Governmental activities capital assets, net	<u>\$ 18,142,880</u>	<u>(35,360)</u>	<u>(113)</u>	<u>18,107,407</u>

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 5 – Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 219,809
Support services	<u>430,280</u>
	<u>\$ 650,089</u>

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:

	<u>Balance</u> <u>7/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2013</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
A. Qualified Zone Academy bonds payable	\$ 124,000	-	24,800	99,200	24,800
B. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
C. Compensated absences	<u>140,954</u>	<u>-</u>	<u>25,093</u>	<u>115,861</u>	<u>-</u>
Total	<u>\$ 3,264,954</u>	<u>-</u>	<u>49,893</u>	<u>3,215,061</u>	<u>24,800</u>

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:

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 6 – Long-term Liabilities (Continued)

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	99,200
Total				<u>\$ 248,000</u>	<u>99,200</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 24,800	-	24,800
2015	24,800	-	24,800
2016	24,800	-	24,800
2017	24,800	-	24,800
	<u>\$ 99,200</u>	<u>-</u>	<u>99,200</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
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019-2023	-	-	-
2024-2025	3,000,000	-	3,000,000
	<u>\$ 3,000,000</u>	<u>-</u>	<u>3,000,000</u>

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 6 – Long-term Liabilities (Continued)

C. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public 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 14.26% 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, 2013, 2012, and 2011 were \$1,487,882, \$1,294,211, and \$1,202,650, respectively, which equaled the required contributions for each year.

Note 8 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To account for the unreimbursed amount for Extended School Year	\$ (809)
Total	<u>\$ (809)</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	To account for the unreimbursed amount for	\$ (809)
	Extended School Year	
Total		<u>\$ (809)</u>

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

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 regulations, 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.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school 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 at 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.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 12 – Qualified School Construction Bonds

Section 1521 of The American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

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, 2013 was \$448,024. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending	
<u>June 30</u>	<u>Amount</u>
2014	\$ 200,000
2015	200,000
2016	201,000
2017	201,000
2018	217,000
2019-2023	1,085,000
2024-2025	434,000
	<u>\$ 2,538,000</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 2012-2013, the EEF revenue was \$71,067, of which, \$62,647 was applied to the debt payment of the Qualified School Construction Bonds loan.

PONTOTOC CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2013

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 – Subsequent Events

Events that occur after the Statement of Net Position 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 Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Pontotoc City School District evaluated the activity of the district through April 21, 2014, (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, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,231,414	3,737,116	3,737,116	505,702	-
State sources	11,144,041	11,063,355	11,063,355	(80,686)	-
Federal sources	87,000	82,724	82,724	(4,276)	-
Total revenues	<u>14,462,455</u>	<u>14,883,195</u>	<u>14,883,195</u>	<u>420,740</u>	<u>-</u>
Expenditures:					
Instruction	9,521,847	9,780,772	9,780,772	(258,925)	-
Support services	4,984,900	4,784,396	4,784,396	200,504	-
Total Expenditures	<u>14,506,747</u>	<u>14,565,168</u>	<u>14,565,168</u>	<u>(58,421)</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(44,292)</u>	<u>318,027</u>	<u>318,027</u>	<u>362,319</u>	<u>-</u>
Other Financing Sources (Uses)					
Operating transfers in	1,373,980	134,309	67,650	(1,239,671)	(66,659)
Operating transfers out	<u>(1,569,001)</u>	<u>(211,948)</u>	<u>(145,289)</u>	<u>1,357,053</u>	<u>66,659</u>
Total Other Financing Sources (Uses)	<u>(195,021)</u>	<u>(77,639)</u>	<u>(77,639)</u>	<u>117,382</u>	<u>-</u>
Net Change in Fund Balances	<u>(239,313)</u>	<u>240,388</u>	<u>240,388</u>	<u>479,701</u>	<u>-</u>
Fund Balances:					
July 1, 2012, as previously reported	1,139,772	1,139,772	1,139,772	-	-
Prior period adjustments	<u>(809)</u>	<u>(809)</u>	<u>(809)</u>	<u>-</u>	<u>-</u>
July 1, 2012, as restated	<u>1,138,963</u>	<u>1,138,963</u>	<u>1,138,963</u>	<u>-</u>	<u>-</u>
June 30, 2013	<u>\$ 899,650</u>	<u>1,379,351</u>	<u>1,379,351</u>	<u>479,701</u>	<u>-</u>

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

PONTOTOC CITY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
IDEA Part B - Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Federal sources	\$ 742,134	541,758	541,758	(200,376)	-
Total revenues	<u>742,134</u>	<u>541,758</u>	<u>541,758</u>	<u>(200,376)</u>	<u>-</u>
Expenditures:					
Instruction	566,906	277,301	277,301	289,605	-
Support services	122,298	253,807	253,807	(131,509)	-
Noninstrucitonal	16,000	-	-	16,000	-
Total Expenditures	<u>705,204</u>	<u>531,108</u>	<u>531,108</u>	<u>174,096</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>36,930</u>	<u>10,650</u>	<u>10,650</u>	<u>(26,280)</u>	<u>-</u>
Other Financing Sources (Uses)					
Operating transfers out	<u>(18,382)</u>	<u>(10,650)</u>	<u>(10,650)</u>	<u>7,732</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(18,382)</u>	<u>(10,650)</u>	<u>(10,650)</u>	<u>7,732</u>	<u>-</u>
Net Change in Fund Balances	<u>18,548</u>	<u>-</u>	<u>-</u>	<u>(18,548)</u>	<u>-</u>
Fund Balances:					
July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2013	<u>\$ 18,548</u>	<u>-</u>	<u>-</u>	<u>(18,548)</u>	<u>-</u>

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, 2013

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, 2013

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	\$ 269,996
National school lunch program	10.555	673,303
Total child nutrition cluster		<u>943,299</u>
Total passed-through Mississippi Department of Education		<u>943,299</u>
Total U.S. Department of Agriculture		<u>943,299</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	35,770
Total Federal Communications Commission		<u>35,770</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Rural education	84.358	52,244
English language acquisition grants	84.365	33,875
Improving teacher quality state grants	84.367	84,926
Subtotal		<u>171,045</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	473,222
Total Title I cluster		<u>473,222</u>
Special education cluster:		
Special education - grants to states	84.027	541,758
Special education - preschool grants	84.173	20,045
Total special education cluster		<u>561,803</u>
Total passed-through Mississippi Department of Education		<u>1,206,070</u>
Total U.S. Department of Education		<u>1,206,070</u>
Total for All Federal Awards		<u>\$ 2,185,139</u>

NOTES TO SCHEDULE

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

PONTOTOC CITY SCHOOL DISTRICT
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 14,209,089	10,991,690	493,531	989,156	1,734,712
Other	3,854,419	1,175,346	140,280	3,307	2,535,486
Total	<u>\$ 18,063,508</u>	<u>12,167,036</u>	<u>633,811</u>	<u>992,463</u>	<u>4,270,198</u>
 Total number of students*	<u>2,211</u>				
 Cost per student	<u>\$ 8,170</u>	<u>5,503</u>	<u>287</u>	<u>449</u>	<u>1,931</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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 3,737,116	3,787,254	3,712,104	3,936,295
State sources	11,063,355	10,714,734	9,776,140	9,932,870
Federal sources	82,724	91,807	87,795	80,503
Total revenues	<u>14,883,195</u>	<u>14,593,795</u>	<u>13,576,039</u>	<u>13,949,668</u>
Expenditures:				
Instruction	9,780,772	9,647,676	8,427,778	9,035,262
Support services	4,784,396	4,608,037	4,174,979	4,323,680
Facilities acquisition and construction	-	-	-	203,656
Debt service:				
Principal	-	-	7,552	14,556
Interest	-	-	188	924
Total Expenditures	<u>14,565,168</u>	<u>14,255,713</u>	<u>12,610,497</u>	<u>13,578,078</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>318,027</u>	<u>338,082</u>	<u>965,542</u>	<u>371,590</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	-	26,454	-	-
Operating transfers in	67,650	56,678	309,823	62,417
Operating transfers out	(145,289)	(1,572,293)	(178,205)	(481,264)
Total Other Financing Sources (Uses)	<u>(77,639)</u>	<u>(1,489,161)</u>	<u>131,618</u>	<u>(418,847)</u>
Net Change in Fund Balances	<u>240,388</u>	<u>(1,151,079)</u>	<u>1,097,160</u>	<u>(47,257)</u>
Fund Balances:				
Beginning of period, as previously reported	1,139,772	2,290,851	1,193,691	1,240,948
Prior period adjustments	(809)	-	-	-
Beginning of period, as restated	<u>1,138,963</u>	<u>2,290,851</u>	<u>1,193,691</u>	<u>1,240,948</u>
End of period	<u>\$ 1,379,351</u>	<u>\$ 1,139,772</u>	<u>\$ 2,290,851</u>	<u>\$ 1,193,691</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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 4,404,377	4,380,631	4,308,462	4,644,840
State sources	11,411,577	11,080,772	10,265,116	10,643,145
Federal sources	2,313,764	2,607,458	3,479,277	3,445,534
Total revenues	<u>18,129,718</u>	<u>18,068,861</u>	<u>18,052,855</u>	<u>18,733,519</u>
Expenditures:				
Instruction	11,016,148	11,163,507	10,918,898	11,405,565
Support services	5,234,320	5,171,412	4,678,881	5,264,803
Noninstructional	1,176,208	1,157,046	1,118,813	1,083,176
Facilities acquisition and construction	584,232	246,640	2,904,574	2,488,940
Debt service:				
Principal	24,800	24,800	3,774,352	319,356
Interest	25,200	25,200	23,583	20,274
Other	2,600	2,600	5,905	37,159
Total Expenditures	<u>18,063,508</u>	<u>17,791,205</u>	<u>23,425,006</u>	<u>20,619,273</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>66,210</u>	<u>277,656</u>	<u>(5,372,151)</u>	<u>(1,885,754)</u>
Other Financing Sources (Uses)				
Bonds and notes issued	-	-	-	3,000,000
Insurance loss recoveries	-	26,454	-	-
Operating transfers in	212,939	1,649,036	488,028	543,681
Operating transfers out	(212,939)	(1,649,036)	(488,028)	(543,681)
Other financing uses	(13,978)	-	-	-
Total Other Financing Sources (Uses)	<u>(13,978)</u>	<u>26,454</u>	<u>-</u>	<u>3,000,000</u>
Net Change in Fund Balances	<u>52,232</u>	<u>304,110</u>	<u>(5,372,151)</u>	<u>1,114,246</u>
Fund Balances:				
Beginning of period, as previously reported	4,880,485	4,584,508	9,941,309	8,819,845
Prior period adjustments	(809)	-	-	-
Beginning of period, as restated	<u>4,879,676</u>	<u>4,584,508</u>	<u>9,941,309</u>	<u>8,819,845</u>
Increase (Decrease) in reserve for inventory	<u>(5,772)</u>	<u>(8,133)</u>	<u>15,350</u>	<u>7,218</u>
End of period	<u>\$ 4,926,136</u>	<u>\$ 4,880,485</u>	<u>\$ 4,584,508</u>	<u>\$ 9,941,309</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS



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

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

106 South First Street
P. O. Box 540
Booneville, Mississippi 38829

Telephone (662)728-6172
Fax (662)728-6176

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

Superintendent and School Board
Pontotoc City School District

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Pontotoc City School District's basic financial statements and have issued our report thereon dated April 21, 2014.

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. 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.

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 that might be significant deficiencies or material weaknesses and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as Finding 2013-1.

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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's Response to Finding

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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pyrawner, Venstary & Co. P.A.

Booneville, MS
April 21, 2014



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P. O. Box 540
Booneville, Mississippi 38829

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Fax (662)728-6176

INDEPENDENT AUDITOR’S REPORT ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board
Pontotoc City School District

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Pontotoc City School District’s major federal programs based on our audit of the types of compliance requirements referred to above. 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.

Opinion on Each Major Federal Program

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, 2013.

Report on 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 District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Prattner, Venstary & Co. P.A.
Booneville, MS
April 21, 2014



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Fax (662)728-6176

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, 2013, which collectively comprise Pontotoc City School District's basic financial statements and have issued our report thereon dated April 21, 2014. 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.

Pyrawner, Vanostery & Co. P.A

Booneville, MS
April 21, 2014

PONTOTOC CITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

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>
10.553 10.555	Food Service Cluster
84.027 84.173	Special Education Cluster

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 2013-1

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. In tests performed, we found that four out of the forty four items tested were not deposited in a timely manner. The rest of the items were deposited within three business days after the event in which money was collected. Although controls that are currently in place are inadequate, they are improving. In the prior year, twenty nine of the forty four items tested were not deposited in a timely fashion.

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.

