

PONTOTOC COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2011

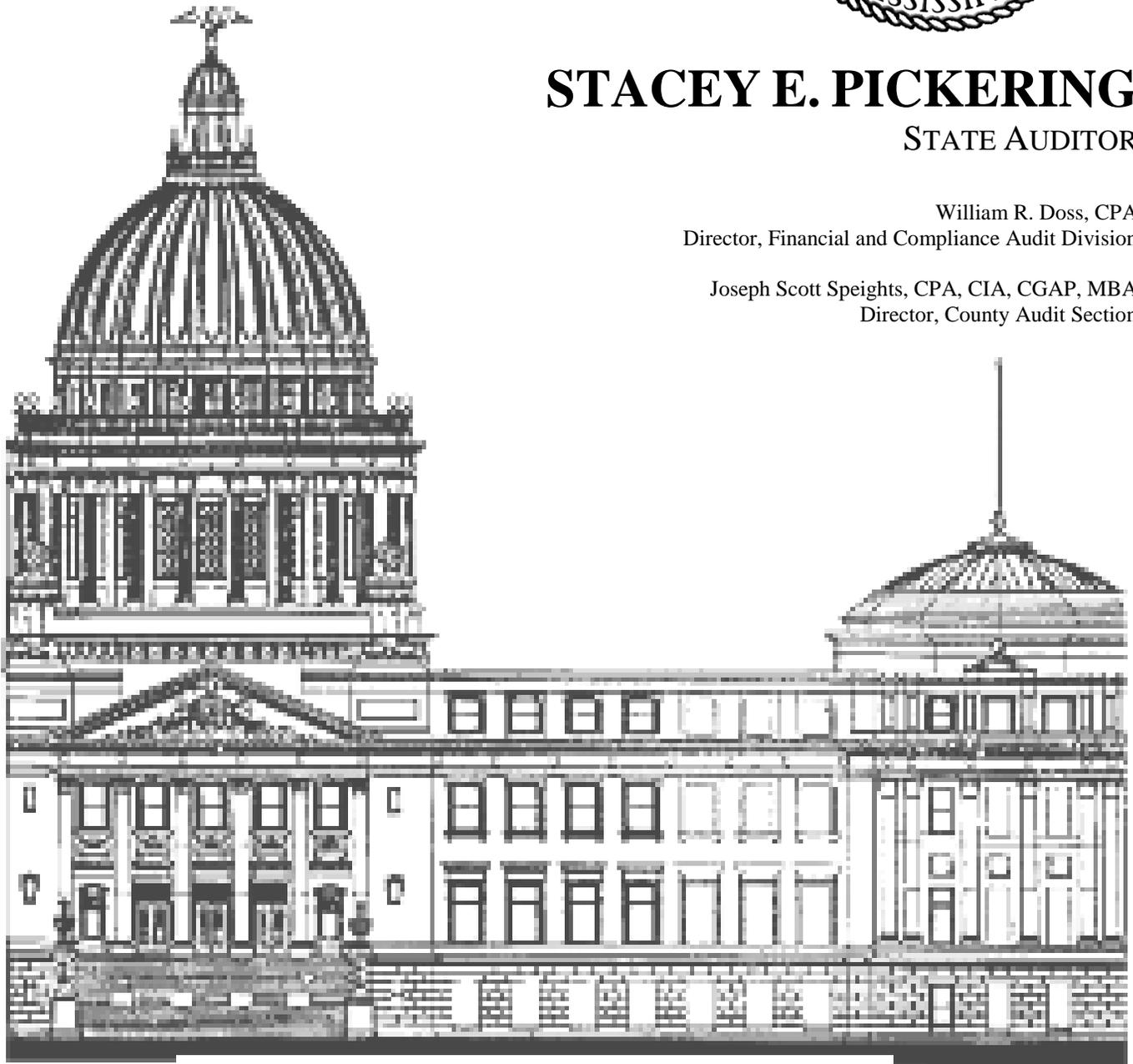


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

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Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

September 10, 2013

Members of the Board of Supervisors
Pontotoc County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Pontotoc County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Pontotoc County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Pontotoc County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive.

Stacey E. Pickering
State Auditor

PONTOTOC COUNTY

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PONTOTOC COUNTY

FINANCIAL SECTION

PONTOTOC COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Pontotoc County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pontotoc County, Mississippi, (the County) as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

As discussed in Note 12, to the financial statements, the county has not recorded a liability for other postemployment benefits in the governmental activities, the business-type activities, and the Solid Waste Fund and, accordingly has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets and change the expenses of the governmental activities, the business-type activities and the Solid Waste Fund. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities, the business-type activities and the Solid Waste Fund is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Pontotoc County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the Solid Waste Fund of Pontotoc County, Mississippi as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States in America.

Also, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund, Countywide Road Maintenance Fund, the Volunteer Fire Fund and the aggregate remaining fund information of Pontotoc County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2013, on our consideration of Pontotoc County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Pontotoc County, Mississippi, has not presented the Schedule of Funding Progress – Other Postemployment Benefits that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information 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 obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pontotoc County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 taken as a whole.

A handwritten signature in black ink that reads "Will. R. Dooss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 10, 2013

PONTOTOC COUNTY

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PONTOTOC COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

PONTOTOC COUNTY

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**PONTOTOC COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTMEBER 30, 2011**

INTRODUCTION

The discussion and analysis of Pontotoc County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2011. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Pontotoc County is located in northeast Mississippi on Highways 6 and 15. The population, according to the 2010 census, is 29,957. The local economic base is driven mainly by furniture manufacturing and farming.

FINANCIAL HIGHLIGHTS

Pontotoc County is financially stable and has a relatively low tax levy. The County has been committed to financial excellence for many years, using sound financial planning, careful budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Pontotoc County continues to grow annually both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. The County government tax rate has increased an average of less than 1% per year over the last 10 years, including school tax increases.

Total net assets decreased from \$70,328,868, in FY 2010 to \$69,657,372, which represents a decrease less than 1%. The county's cash balance decreased from \$4,923,747 in FY 2010 to \$4,864,096, which represents a decrease of 1.21%.

The county had \$14,995,714 in total revenues. Tax revenues account for \$8,276,871 or 55.19% of total revenues. Program specific revenues in the form of charges for services and grants accounted for \$5,266,072 or 35.12% of total revenues.

The county had \$15,692,927 in total expenses which represents a decrease of \$2,069,297 or 11.65% from the prior fiscal year. Expenses in the amount of \$5,266,072 were offset by program specific revenues in the form of charges for services and grants. With general revenues in the amount of \$9,729,642 a net decrease in net assets occurred of \$671,496, including a prior period adjustment of \$25,717.

Among major funds, the General Fund had \$6,870,891 in revenues and \$6,788,706 in expenditures. The General Fund's fund balance increased \$215,926 over the prior year, which includes a prior period adjustment of \$25,717.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of revenues, expenses and changes in net assets ● Statement of cash flows 	<ul style="list-style-type: none"> ● Statement of fiduciary and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS – Continued

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; economic development; and interest on long-term debt. The business-type activity of the County is the Solid Waste Fund.

The Government-wide Financial Statements can be found on pages 21 and 22 of this report.

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24 and 26, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. 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 other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 23 and 25 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS – Continued

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses an enterprise fund to account for the Solid Waste Fund.

Fund financial statements for the proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Fund is considered to be a major fund of the County. The proprietary fund financial statements can be found on pages 27 through 29 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary assets and liabilities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 30 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 31 through 48 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County 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. This required supplementary information can be found on pages 51 through 55 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Pontotoc County, assets exceeded liabilities by \$69,657,372 as of September 30, 2011.

By far, the largest portion of the County's net assets, 92.19%, reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease, construction in progress and improvements other than buildings) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

The following table presents a summary of the County's net assets at September 30, 2011 and September 30, 2010.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current assets	\$ 13,466,869	\$ 13,204,833	\$ 329,305	\$ 506,787	\$ 13,796,174	\$ 13,711,620
Non-current assets	9,704,767	10,106,090	-0-	-0-	9,704,767	10,106,090
Capital assets, net	70,992,883	73,442,529	305,761	173,661	71,298,644	73,616,190
Total assets	\$ 94,164,519	\$ 96,753,452	\$ 635,066	\$ 680,448	\$ 94,799,585	\$ 97,433,900
Current liabilities	\$ 9,176,057	\$ 10,632,843	\$ 160,355	\$ 190,324	\$ 9,336,412	\$ 10,823,167
Long-term debt	15,805,801	16,209,823	-0-	72,042	15,805,801	16,281,865
Total liabilities	\$ 24,981,858	\$ 26,842,666	\$ 160,355	\$ 262,366	\$ 25,142,213	\$ 27,105,032
Net assets:						
Invested in capital assets, net of related debt	\$ 63,911,087	\$ 64,380,223	\$ 305,761	\$ 58,483	\$ 64,216,848	\$ 64,438,706
Restricted	2,512,831	4,068,334	168,950	359,599	2,681,781	4,427,933
Nonexpendable	64,620	-0-	-0-	-0-	64,620	-0-
Unrestricted	2,694,123	1,462,229	-0-	-0-	2,694,123	1,462,229
Total net assets	\$ 69,182,661	\$ 69,910,786	\$ 474,711	\$ 418,082	\$ 69,657,372	\$ 70,328,868

Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee of \$10.00 per household. This business-type activity also furnishes various size dumpsters, varying collection schedules, and disposal of garbage at varying rates. This business-type activity generated \$1,214,600 in charges for services for the proprietary fund for the year ended September 30, 2011.

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

- The County started construction on two new bridges (\$899,222), purchased two garbage trucks (\$229,260), and other capital assets (\$257,033) during fiscal year 2011.
- Current year depreciation was \$3,638,584.
- The County issued \$1,108,024 of debt for equipment and economic development during the fiscal year.
- The County made \$3,076,687 in scheduled debt payments.
- The Ad Valorem Tax Fee-In-Lieu receivable decreased by \$437,885 due to receipt of first payment and adjustment to estimated present value.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Changes in Net Assets – Pontotoc County’s total revenues for the fiscal year ended September 30, 2011 were \$14,995,714. The total cost for all services provided was \$15,692,927. The decrease in net assets was \$671,496, including a prior period adjustment of \$25,717. The following table presents a summary of the changes in net assets for each of the fiscal years ended September 30, 2011 and September 30, 2010.

Revenues:	2011	2010	Percent Change
Program revenues			
Charges for services	\$ 2,539,331	\$ 2,647,394	(4.08%)
Operating grants and contributions	1,777,383	3,727,373	(52.32%)
Capital grants and contributions	949,358	380,101	149.76%
General revenues			
Property taxes	8,276,871	8,429,311	(1.81%)
Road and bridge privilege taxes	351,736	351,503	0.07%
Ad Valorem tax fee-in-lieu revenue	394,515	470,291	(16.11%)
Grants and contributions not restricted to specific programs	587,250	592,468	(0.88%)
Interest	45,323	78,654	(42.34%)
Other	73,947	85,057	(13.06%)
Total revenues	<u>\$ 14,995,714</u>	<u>\$ 16,762,152</u>	<u>(10.54%)</u>
Expenses:			
General government	\$ 3,779,029	\$ 3,716,357	1.69%
Public safety	3,082,654	3,256,003	(5.32%)
Public works	5,958,174	6,857,115	(13.11%)
Health and welfare	262,676	249,632	5.23%
Culture and recreation	408,710	400,610	2.02%
Conservation of natural resources	122,796	123,774	(0.79%)
Economic development	133,079	1,360,931	(90.22%)
Interest on long-term debt	782,162	753,312	3.83%
Solid waste	1,163,647	1,044,490	11.41%
Total expenses	<u>\$ 15,692,927</u>	<u>\$ 17,762,224</u>	<u>(11.65%)</u>
Decrease in net assets	<u>\$ (697,213)</u>	<u>\$ (1,000,072)</u>	<u>30.28%</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Governmental Activities – The following table presents the cost of nine major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development, Interest on Long-term Debt and Solid Waste.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Pontotoc County's taxpayers by each of these activities.

	2011 Total Expenses	2011 Net (Expense) Revenue	2010 Total Expenses	2010 Net (Expense) Revenue
General government	\$ 3,779,029	\$ (2,942,421)	\$ 3,716,357	\$ (2,685,360)
Public safety	3,082,654	(1,993,968)	3,256,003	(2,602,050)
Public works	5,958,174	(3,931,652)	6,857,115	(4,741,692)
Health and welfare	262,676	(223,414)	249,632	(225,340)
Culture and recreation	408,710	(408,710)	400,610	(400,610)
Conservation of natural resources	122,796	(122,796)	123,774	(123,774)
Economic development	133,079	(72,685)	1,360,931	(147,399)
Interest on long- term debt	782,162	(782,162)	753,312	(278,012)
Solid waste	<u>1,163,647</u>	<u>50,953</u>	<u>1,044,490</u>	<u>196,881</u>
Totals	<u>\$ 15,692,927</u>	<u>\$ (10,426,855)</u>	<u>\$ 17,762,224</u>	<u>\$ (11,007,356)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Pontotoc County's governmental funds reported a combined fund balance of \$4,136,280, an increase of \$354,301. The primary reasons for this increase, is that all departments did an outstanding job of managing their budgets in these economic times.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$215,926. The primary reasons for this increase, is that all departments did an outstanding job of managing their budgets in these economic times.

Business-type funds – Revenue from the County's Solid Waste Fund decreased by 1.70% to \$1,220,276 and expenses increased by 11.41% to \$1,163,647.

BUDGETARY HIGHLIGHTS

Over the course of the year, Pontotoc County revised its annual operating budget on two occasions. Significant budget amendments are explained as follows:

- Budgeted revenue from loan proceeds and interfund transfers.
- Final budget to actual as required by state law.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund, Countywide Road Maintenance Fund and Volunteer Fire Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2011, Pontotoc County’s total gross capital assets, excluding depreciation, were \$103,186,698. This includes land, infrastructure, buildings, mobile equipment, furniture and equipment, leased property under capital lease, and improvements other than buildings. This amount represents an increase from the previous year of \$1,279,027. The majority of this increase is due to bridge projects in construction in progress, the purchase of garbage trucks, vehicles and computer equipment.

Total accumulated depreciation as of September 30, 2011 was \$31,888,054, including \$3,638,584 depreciation expense for the year. The balance in total net capital assets was \$71,298,644 at year-end.

Additional information on Pontotoc County’s capital assets can be found in note 8 on pages 40 through 42 of this report.

Debt Administration – At September 30, 2011, Pontotoc County had \$15,805,801 in long-term debt outstanding. This is a decrease over prior year of \$1,979,614 that is due to debt issues totaling \$1,108,024 for the refinancing of fire trucks, economic development, capital leases, and normal debt payments. Of this debt, \$1,505,906 is due within one year.

Additional information on Pontotoc County’s long-term debt can be found in Note 13 on pages 44 and 45 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Pontotoc County is planning some major capital projects, such as more economic development throughout our county with great expectations of a major Toyota Tier I supplier locating in our new industrial park. Also, some major road and bridge projects are planned with State Aid Road funds.

Pontotoc County along with the City of Pontotoc is looking for additional jobs to be created with the expansion of Southern Motion and the opening of Washington Manufacturing.

There are currently plenty of jobs available in the manufacturing area with some employers expanding and planning future expansions. We have experienced resurgence, as many of our manufacturing buildings have either been purchased outright or leased and have created many new jobs. Pontotoc County historically grants ten-year tax exemptions to new industries and expansions to encourage industrial development and growth. The county also has a policy for granting Freeport Warehouse tax exemptions to encourage manufacturers to choose Pontotoc County as a major distribution point. All industrial growth provides new jobs and an increase in the assessed value of the county and despite any kind of tax exemptions granted to industries, none are exempt from paying school tax.

There are currently several ten-year tax exemptions in place for different manufacturers and each year some of these mature and they begin paying tax, which brings in more revenue for the county.

Pontotoc County has a relatively low unemployment rate, which compares favorably with the state average rate. However, because of the failing economy unemployment has grown.

Pontotoc County has pledged \$100,000 per year for ten years to a Community College Tuition Assistance Program in an effort to see that any child graduating from high school in Pontotoc County can attend Itawamba Community College for further education.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County’s finances and to demonstrate the County’s accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact Gary Moorman Pontotoc County Chancery Clerk’s office at P. O. Box 209, Pontotoc, Mississippi, 38863, Phone 662-489-3900.

PONTOTOC COUNTY

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PONTOTOC COUNTY

FINANCIAL STATEMENTS

PONTOTOC COUNTY

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PONTOTOC COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 4,635,886	228,210	4,864,096
Property tax receivable	7,981,409		7,981,409
Accounts receivable (net of allowance for uncollectibles of \$805,277)		94,438	94,438
Fines receivable (net of allowance for uncollectibles of \$1,559,276)	314,484		314,484
Capital leases receivable	588,498		588,498
Intergovernmental receivables	337,762	2,598	340,360
Other receivables	110,132	91,255	201,387
Internal balances	87,196	(87,196)	
Ad valorem tax fee in-lieu receivable, net	8,661,605		8,661,605
Deferred charges - bond issuance costs	454,664		454,664
Capital assets:			
Land and construction in progress	2,494,846		2,494,846
Other capital assets, net	68,498,037	305,761	68,803,798
Total Assets	94,164,519	635,066	94,799,585
LIABILITIES			
Claims payable	423,558	68,572	492,130
Intergovernmental payables	375,810		375,810
Accrued interest payable	159,271		159,271
Deferred revenue	8,088,104		8,088,104
Unearned revenue		91,783	91,783
Amounts held in custody for others	129,314		129,314
Long-term liabilities			
Due within one year:			
Capital debt	1,087,415		1,087,415
Non-capital debt	418,491		418,491
Due in more than one year:			
Capital debt	5,994,381		5,994,381
Non-capital debt	8,305,514		8,305,514
Total Liabilities	24,981,858	160,355	25,142,213
NET ASSETS			
Invested in capital assets, net of related debt	63,911,087	305,761	64,216,848
Restricted:			
Expendable:			
Public safety	712,736		712,736
Public works	1,428,310	168,950	1,597,260
Culture and recreation	65,410		65,410
Economic development	297,270		297,270
Debt service	9,105		9,105
Nonexpendable	64,620		64,620
Unrestricted	2,694,123		2,694,123
Total Net Assets	\$ 69,182,661	474,711	69,657,372

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

PONTOTOC COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,779,029	832,949	3,659		(2,942,421)		(2,942,421)
Public safety	3,082,654	488,630	600,056		(1,993,968)		(1,993,968)
Public works	5,958,174	3,152	1,074,012	949,358	(3,931,652)		(3,931,652)
Health and welfare	262,676		39,262		(223,414)		(223,414)
Culture and recreation	408,710				(408,710)		(408,710)
Conservation of natural resources	122,796				(122,796)		(122,796)
Economic development and assistance	133,079		60,394		(72,685)		(72,685)
Interest on long-term debt	782,162				(782,162)		(782,162)
Total Governmental Activities	<u>14,529,280</u>	<u>1,324,731</u>	<u>1,777,383</u>	<u>949,358</u>	<u>(10,477,808)</u>	<u>0</u>	<u>(10,477,808)</u>
Business-type activity:							
Solid waste	<u>1,163,647</u>	<u>1,214,600</u>				<u>50,953</u>	<u>50,953</u>
Total Business-type Activity	<u>1,163,647</u>	<u>1,214,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,953</u>	<u>50,953</u>
Total Primary Government	<u>\$ 15,692,927</u>	<u>2,539,331</u>	<u>1,777,383</u>	<u>949,358</u>	<u>(10,477,808)</u>	<u>50,953</u>	<u>(10,426,855)</u>
General revenues:							
Property taxes					\$ 8,276,871		8,276,871
Road & bridge privilege taxes					351,736		351,736
Grants and contributions not restricted to specific programs					587,250		587,250
Ad valorem tax fee-in-lieu revenue					394,515		394,515
Unrestricted interest income					43,403	1,920	45,323
Miscellaneous					70,191	3,756	73,947
Total General Revenues					<u>9,723,966</u>	<u>5,676</u>	<u>9,729,642</u>
Changes in Net Assets					<u>(753,842)</u>	<u>56,629</u>	<u>(697,213)</u>
Net Assets - Beginning, as previously reported					69,910,786	418,082	70,328,868
Prior period adjustment					25,717		25,717
Net Assets - Beginning, as restated					<u>69,936,503</u>	<u>418,082</u>	<u>70,354,585</u>
Net Assets - Ending					<u>\$ 69,182,661</u>	<u>474,711</u>	<u>69,657,372</u>

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

PONTOTOC COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2011

Exhibit 3

	Major Funds				
	General Fund	Countywide Road Maintenance Fund	Volunteer Fire Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 1,912,710	172,377	370,994	2,179,805	4,635,886
Property tax receivable	4,614,409	1,633,500	347,000	1,386,500	7,981,409
Fines receivable (net of allowance for uncollectibles of \$1,559,276)	314,484				314,484
Capital lease receivable				588,498	588,498
Intergovernmental receivables	289,213	23,917		24,632	337,762
Other receivables	6,750			45,074	51,824
Due from other funds	160,884	84,606	18,392	109,108	372,990
Advances to other funds	64,620				64,620
Total Assets	\$ 7,363,070	1,914,400	736,386	4,333,617	14,347,473
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 149,723	49,301	547	223,987	423,558
Intergovernmental payables	364,197	11,613			375,810
Due to other funds	205,223			86,883	292,106
Deferred revenue	5,034,907	1,633,500	347,000	1,974,998	8,990,405
Amounts held in custody for others	129,314				129,314
Total Liabilities	5,883,364	1,694,414	347,547	2,285,868	10,211,193
Fund balances:					
Nonspendable:					
Advances	64,620				64,620
Restricted for:					
Public safety			388,839	338,493	727,332
Public works		219,986		1,208,324	1,428,310
Culture and recreation				65,410	65,410
Economic development and assistance				301,561	301,561
Debt service				133,961	133,961
Unassigned	1,415,086				1,415,086
Total Fund Balances	1,479,706	219,986	388,839	2,047,749	4,136,280
Total Liabilities and Fund Balances	\$ 7,363,070	1,914,400	736,386	4,333,617	14,347,473

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

PONTOTOC COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,136,280
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$31,169,056.	70,992,883
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	314,484
Intergovernmental receivable - TVA in lieu of tax	106,014
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(15,805,801)
Accrued receivables that are not available to pay for current period expenditures and therefore, are not reported in the funds.	
Ad valorem tax fee-in-lieu	8,661,605
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(159,271)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	481,803
Deferred charges - bond issuance costs	<u>454,664</u>
Total Net Assets - Governmental Activities	\$ <u><u>69,182,661</u></u>

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

PONTOTOC COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	Major Funds				Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Volunteer Fire Fund	Other Governmental Funds	
REVENUES					
Property taxes	\$ 5,017,567	1,546,775	338,904	1,373,625	8,276,871
Road and bridge privilege taxes				351,736	351,736
Licenses, commissions and other revenue	368,270			8,414	376,684
Fines and forfeitures	498,500				498,500
Intergovernmental revenues	875,410	568,412	441,285	1,429,458	3,314,565
Charges for services	55,270			403,787	459,057
In lieu tax - Toyota				832,400	832,400
Interest income	7,948	743	2,767	31,945	43,403
Miscellaneous revenues	47,926	7,807	1,439	13,019	70,191
Total Revenues	<u>6,870,891</u>	<u>2,123,737</u>	<u>784,395</u>	<u>4,444,384</u>	<u>14,223,407</u>
EXPENDITURES					
Current:					
General government	3,439,507				3,439,507
Public safety	2,164,339		109,914	434,215	2,708,468
Public works	5,907	398,532		3,855,967	4,260,406
Health and welfare	262,676				262,676
Culture and recreation	192,451			146,153	338,604
Conservation of natural resources	122,546			250	122,796
Economic development and assistance	30,730			102,349	133,079
Debt service:					
Principal	491,188	18,090	1,685,251	766,980	2,961,509
Interest	79,362	216	79,059	655,362	813,999
Total Expenditures	<u>6,788,706</u>	<u>416,838</u>	<u>1,874,224</u>	<u>5,961,276</u>	<u>15,041,044</u>
Excess of Revenues over (under) Expenditures	<u>82,185</u>	<u>1,706,899</u>	<u>(1,089,829)</u>	<u>(1,516,892)</u>	<u>(817,637)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	108,024		1,000,000		1,108,024
Transfers in				2,430,809	2,430,809
Transfers out		(1,600,000)		(830,809)	(2,430,809)
Lease principal payments				38,197	38,197
Total Other Financing Sources and Uses	<u>108,024</u>	<u>(1,600,000)</u>	<u>1,000,000</u>	<u>1,638,197</u>	<u>1,146,221</u>
Net Changes in Fund Balances	190,209	106,899	(89,829)	121,305	328,584
Fund Balances - Beginning, as previously reported	1,263,780	113,087	478,668	1,926,444	3,781,979
Prior period adjustment	25,717				25,717
Fund Balances - Beginning, as restated	<u>1,289,497</u>	<u>113,087</u>	<u>478,668</u>	<u>1,926,444</u>	<u>3,807,696</u>
Fund Balances - Ending	<u>\$ 1,479,706</u>	<u>219,986</u>	<u>388,839</u>	<u>2,047,749</u>	<u>4,136,280</u>

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

PONTOTOC COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 328,584
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,156,255 was exceeded by depreciation of \$3,541,424 in the current period.	(2,385,169)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$64,477.	(64,477)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(9,510)
Intergovernmental revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Ad valorem tax fee-in-lieu	(437,885)
T.V.A. in lieu of tax	(574)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(38,197)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$ 2,961,509 exceeded debt proceeds of \$1,108,024.	1,853,485
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Accrued interest	20,886
Amortization of bond issuance costs	(31,936)
Amortization of premium on bond	22,567
Amortization of discount on bond	<u>(11,616)</u>
Change in Net Assets of Governmental Activities	\$ <u>(753,842)</u>

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

PONTOTOC COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2011

Exhibit 5

	<u>Business-type Activities- Enterprise Fund</u>
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 228,210
Accounts receivable (net of allowance for uncollectibles of \$805,277)	94,438
Intergovernmental receivables	2,598
Other receivables	91,255
Total Current Assets	<u>416,501</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	305,761
Total Noncurrent Assets	<u>305,761</u>
Total Assets	<u>722,262</u>
LIABILITIES	
Current liabilities:	
Claims payable	68,572
Due to other funds	22,576
Advances from other funds	64,620
Unearned revenue	91,783
Total Liabilities	<u>247,551</u>
NET ASSETS	
Invested in capital assets	305,761
Restricted for:	
Public works	168,950
Total Net Assets	<u>\$ 474,711</u>

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

PONTOTOC COUNTY

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2011

Exhibit 6

	Business-type Activities- Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 1,214,600
Total Operating Revenues	<u>1,214,600</u>
Operating Expenses	
Personal services	556,059
Contractual services	262,785
Materials and supplies	220,268
Depreciation expense	97,160
Indirect administrative cost	22,576
Total Operating Expenses	<u>1,158,848</u>
Operating Income (Loss)	<u>55,752</u>
Nonoperating Revenues (Expenses)	
Interest income	1,920
Interest expense	(4,799)
Other income (expenses)	3,756
Net Nonoperating Revenue (Expenses)	<u>877</u>
Net Income (Loss)	56,629
Net Assets - Beginning	<u>418,082</u>
Net Assets - Ending	\$ <u><u>474,711</u></u>

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

PONTOTOC COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2011

Exhibit 7

	<u>Business-type Activities- Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,223,111
Payments to suppliers	(467,038)
Payments to employees	(556,059)
Net Cash Provided (Used) by Operating Activities	<u>200,014</u>
Cash Flows From Noncapital Financing Activities	
Other receipts	3,503
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,503</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(229,260)
Principal paid on long-term debt	(115,178)
Interest paid on debt	(4,799)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(349,237)</u>
Cash Flows From Investing Activities	
Interest on deposits	1,920
Net Cash Provided (Used) by Investing Activities	<u>1,920</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(143,800)
Cash and Cash Equivalents at Beginning of Year	<u>372,010</u>
Cash and Cash Equivalents at End of Year	<u>\$ 228,210</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 55,752
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	97,160
Provision for uncollectible accounts	116,608
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivable	(18)
(Increase) decrease in accounts receivable	(105,177)
(Increase) decrease in other receivables	(54)
Increase (decrease) in claims payable	16,015
Increase (decrease) in unearned revenue	(2,848)
Increase (decrease) in interfund payables	22,576
Total Adjustments	<u>144,262</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 200,014</u>

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

PONTOTOC COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 258,451
Intergovernmental receivables	281,532
Total Assets	<u>\$ 539,983</u>
LIABILITIES	
Other liabilities	\$ 36,559
Intergovernmental payables	2,383
Due to Three Rivers Planning and Development District	442,733
Due to other funds	58,308
Total Liabilities	<u>\$ 539,983</u>

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

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Pontotoc County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Pontotoc County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Pontotoc Airport Commission
- Ecu Volunteer Fire Department
- Thaxton Volunteer Fire Department
- Toccopola Volunteer Fire Department
- Algoma Volunteer Fire Department
- Randolph Volunteer Fire Department
- Beckam Volunteer Fire Department
- Troy Volunteer Fire Department
- Furrs Volunteer Fire Department
- Longview Volunteer Fire Department
- Hurricane Volunteer Fire Department
- Sherman Volunteer Fire Department

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

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

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented as Other Governmental Funds in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of the Proprietary Fund are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Volunteer Fire Fund - This fund is used to account for monies from specific revenue sources that are restricted for public safety expenditures.

The county reports the following major Enterprise Fund:

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These 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.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for debt principal, interest, and related costs.

Capital Projects Funds - These 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.

PROPRIETARY FUND TYPE

Enterprise Fund - This fund is used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Use of Estimates.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

F. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts and at net present value, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Fund. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 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	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Fund Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

K. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Fund balances for governmental funds are 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.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of 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.

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 if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures 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 county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee benefits. No liability for compensated absences is recorded in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. We believe the effects of the unrecorded liability on the financial statements are immaterial.

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Prior Period Adjustment.

A summary of significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To correct prior year error in intergovernmental receivable for DUI grant.	\$ <u>25,717</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To correct prior year error in intergovernmental receivable for DUI grant.	\$ <u>25,717</u>

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$5,122,547, and the bank balance was \$5,667,846. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. 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 county.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ 22,576
General	Other Governmental Funds	80,000
General	Agency Funds	58,308
Countywide Road Maintenance Fund	General	84,606
Volunteer Fire Fund	General	18,392
Other Governmental Funds	General	102,225
Other Governmental Funds	Other Governmental Funds	<u>6,883</u>
Total		<u>\$ 372,990</u>

The receivables from the General Fund represent the tax revenue collected but not settled until October, 2011. The amount due to the General Fund from the Solid Waste Fund represents indirect administrative costs incurred during the September 30, 2011, fiscal year. The receivable from Other Governmental Funds to General Fund represents a loan to E911 to cover deficit cash balance. The receivable from Agency Funds represents a loan to Payroll Clearing to cover deficit cash balance. The receivables between Other Governmental Funds and Other Governmental Funds represent posting errors. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ 64,620
Total		<u>\$ 64,620</u>

The advance represents fiscal year 2008, 2009 and 2010 indirect administrative costs the county incurred for the Solid Waste Fund that have not been paid to the General Fund.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Countywide Road Maintenance	\$ 1,600,000
Other Governmental Funds	Other Governmental Funds	<u>830,809</u>
Total		<u>\$ 2,430,809</u>

The primary purpose of interfund transfers was to distribute road maintenance revenues to various road districts and to provide for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 127,089
T.V.A. in lieu of tax	106,014
State-aid road reimbursement	14,999
Motor vehicle fuel tax	19,737
Motor vehicle license tax	22,445
DUI grant	9,802
Emergency management performance grant	6,086
Youth Court support grant	1,123
Welfare reimbursement	1,519
Land redemption fees	4,038
Narcotics task force local grant	4,965
Sheriff fees	4,521
Reimbursement for housing prisoners	6,520
Radio dispatcher reimbursement	8,125
Other	779
Total Governmental Activities	\$ <u>337,762</u>
Business-type Activities:	
Garbage collection fees	\$ <u>2,598</u>
Total Business-type Activities	\$ <u>2,598</u>

(7) Ad Valorem Tax Fee-In-Lieu Receivable.

Pontotoc County, Union County, and Lee County (PUL Alliance) entered into an Ad Valorem Tax Fee-In-Lieu Agreement (agreement) with the Mississippi Development Authority, the Mississippi Major Economic Impact Authority and Toyota Motor Manufacturing Mississippi, Inc. (TMMMS). The agreement provides that beginning in January, 2011, and continuing until the retirement of the Public Bonds, TMMMS agreed to make an annual fee payment of \$2,500,000 to the PUL Alliance. The first fee payment was made on or before January 31, 2011 and subsequent fee payments shall be made on or before January 31 of each succeeding year. The fee payments shall expire after the 2026 payment or, if the Public Bonds are retired sooner than 2026, it shall expire in the year of retirement. Pontotoc County's portion of this annual payment is one third or \$833,333.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2011, is as follows:

Ad Valorem Tax Fee in Lieu Receivable	\$	8,661,605
September 30,		
2012	\$	834,267
2013		833,333
2014		833,333
2015		833,333
2016		833,333
Due in six to ten years		4,166,667
Due in eleven to fifteen years		4,166,667
Total	\$	<u>12,500,933</u>
Less: Discount to present value		<u>3,839,328</u>
Net receivable	\$	<u>8,661,605</u>

Receivables due in more than one year are discounted to net present value using the County's average interest rate of 5.45 % on the bonds issued for the project, which management has determined is an appropriate discount rate commensurate with the risks involved.

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,595,624				1,595,624
Construction in progress		899,222			899,222
Total non-depreciable capital assets	\$ <u>1,595,624</u>	<u>899,222</u>	<u>0</u>	<u>0</u>	<u>2,494,846</u>
<u>Depreciable capital assets:</u>					
Infrastructure	\$ 71,522,811		85,000		71,437,811
Buildings	15,373,301				15,373,301
Improvements other than buildings	2,445,671				2,445,671
Mobile equipment	8,139,825	74,400	21,488	439,170	8,631,907
Furniture and equipment	934,689	78,005			1,012,694
Leased property under capital leases	<u>1,100,251</u>	<u>104,628</u>		<u>(439,170)</u>	<u>765,709</u>
Total depreciable capital assets	\$ <u>99,516,548</u>	<u>257,033</u>	<u>106,488</u>	<u>0</u>	<u>99,667,093</u>

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Less accumulated depreciation for:</u>					
Infrastructure	\$ 16,408,383	2,376,148	22,672		18,761,859
Buildings	3,970,493	271,432			4,241,925
Improvements other than buildings	614,341	98,541			712,882
Mobile equipment	5,333,275	627,435	19,339	242,944	6,184,315
Furniture and equipment	773,189	30,035			803,224
Leased property under capital leases	<u>569,962</u>	<u>137,833</u>		<u>(242,944)</u>	<u>464,851</u>
Total accumulated Depreciation	<u>\$ 27,669,643</u>	<u>3,541,424</u>	<u>42,011</u>	<u>0</u>	<u>31,169,056</u>
 Total depreciable capital assets, net	 <u>\$ 71,846,905</u>	 <u>(3,284,391)</u>	 <u>64,477</u>	 <u>0</u>	 <u>68,498,037</u>
 Governmental activities capital assets, net	 <u>\$ 73,442,529</u>	 <u>(2,385,169)</u>	 <u>64,477</u>	 <u>0</u>	 <u>70,992,883</u>

*Adjustments are for reclassifications of paid off leased assets.

Business-type activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 583,131	229,260		212,368	1,024,759
Leased property under capital leases	<u>212,368</u>			<u>(212,368)</u>	
Total depreciable capital assets	<u>\$ 795,499</u>	<u>229,260</u>	<u>0</u>	<u>0</u>	<u>1,024,759</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	\$ 507,154	97,160		114,684	718,998
Leased property under capital leases	<u>114,684</u>			<u>(114,684)</u>	
Total accumulated Depreciation	<u>\$ 621,838</u>	<u>97,160</u>	<u>0</u>	<u>0</u>	<u>718,998</u>
 Total depreciable capital assets, net	 <u>\$ 173,661</u>	 <u>132,100</u>	 <u>0</u>	 <u>0</u>	 <u>305,761</u>
 Business-type activities capital assets, net	 <u>\$ 173,661</u>	 <u>132,100</u>	 <u>0</u>	 <u>0</u>	 <u>305,761</u>

*Adjustments are for reclassifications of paid off leased assets.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 309,085
Public safety	546,039
Public works	2,616,194
Culture and recreation	<u>70,106</u>
Total governmental activities depreciation expense	<u>\$ 3,541,424</u>
Business-type activities:	
Solid waste	<u>\$ 97,160</u>
Total business-type activities depreciation expense	<u>\$ 97,160</u>

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
State aid road bridge project BR 0058 21 B0	\$ 420,993	06/2012
State aid road bridge project LSBP 58(11)	\$ 15,322	10/2011

(9) Commitment.

On December 30, 2010, the Pontotoc County Board of Supervisors approved an order to pay Three Rivers Planning and Development District \$33,400 per year for seven years to be used to create and retain jobs in the county at any industrial site in the county.

(10) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(11) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2011:

<u>Classes of Property</u>	<u>Amount</u>
Land	\$ <u>520,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2011, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 43,491	20,709
2013	45,475	18,724
2014	47,553	16,646
2015	49,726	14,474
2016	52,000	12,200
2017 – 2021	<u>243,558</u>	<u>23,942</u>
Total	\$ <u>481,803</u>	<u>106,695</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 496,819
Furniture and equipment	<u>268,890</u>
Total	765,709
Less: Accumulated depreciation	<u>464,851</u>
Leased Property Under Capital Leases	\$ <u>300,858</u>

The following is a schedule by years of the total payments due as of September 30, 2011:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 153,182	6,816
2013	96,891	3,038
2014	27,433	1,126
2015	13,610	607
2016	<u>12,842</u>	<u>191</u>
Total	\$ <u>303,958</u>	<u>11,778</u>

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(12) Other Postemployment Benefits.

The Pontotoc County Board of Supervisors administers the county's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The county's health insurance plan may be amended by the Pontotoc County Board of Supervisors. The county purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the county has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The county does not issue a publicly available financial report for the Plan.

(13) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

<u>Description and Purpose</u>	<u>Amount</u>	<u>Interest</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Pontotoc County G.O. Bonds, Series 2005	\$ 3,535,000	3.50/5.00	09/2025
Pontotoc County G.O. Bonds, Series 2007	<u>8,405,000</u>	5.00/6.00	07/2026
Total General Obligation Bonds	<u>\$ 11,940,000</u>		
B. Capital Leases:			
Dump truck	\$ 9,573	4.11	01/2012
Dump truck	9,573	4.11	01/2012
Tractor and sidearm	12,084	3.24	08/2012
Tractor truck	20,431	3.31	05/2013
Computer system	93,204	3.69	08/2013
5 2006 Crown Victorias	17,832	3.15	08/2012
4 Crown Victorias	34,255	3.24	07/2013
IBM computer equipment	42,088	1.52	09/2014
3 Ford F-150 trucks	<u>64,918</u>	3.00	08/2016
Total Capital Leases	<u>\$ 303,958</u>		
C. Other Loans:			
CAPS Loan for Industrial Park	\$ 47,039	3.00	05/2013
Certificates of Participation – Extension Building	697,000	3.99	11/2018
Certificates of Participation - building	165,000	4.05	08/2013
Certificates of Participation - building	540,000	3.39	08/2013
Economic Development Loan (Southern Motion)	232,277	5.00	11/2020
Economic Development Loan (Southern Motion)	108,750	4.00	11/2020
Economic Development Loan (Southern Motion)	141,000	4.00	11/2020
Equipment loan – 6 fire trucks	958,945	3.19	04/2020
TVA Loan*	334,854	3.0	06/2030
Equipment loan – 6 fire trucks	<u>500,000</u>	2.5	06/2014
Total Other Loans	<u>\$ 3,724,865</u>		

*The TVA Loan was jointly obtained by the City of Pontotoc and Pontotoc County, Mississippi, with each receiving \$350,000. The loan is secured by the land purchased with the loan proceeds

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 560,000	590,267	792,724	122,969
2013	595,000	558,518	809,975	99,849
2014	630,000	524,767	444,676	72,933
2015	665,000	490,298	284,756	58,516
2016	690,000	460,005	296,847	47,972
2017 – 2021	4,015,000	1,787,319	916,307	89,766
2022 – 2026	4,785,000	722,649	96,926	19,952
2027 – 2031			82,654	4,816
Total	\$ <u>11,940,000</u>	<u>5,133,823</u>	<u>3,724,865</u>	<u>516,773</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 3.36% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	<u>Balance</u>			<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Sept. 30, 2011</u>	<u>within one</u>
					<u>year</u>
Governmental Activities:					
General obligation bonds	\$ 12,475,000		535,000	11,940,000	560,000
Less:					
Discounts	(210,007)		(11,616)	(198,391)	
Add:					
Premiums	57,936		22,567	35,369	
Capital leases	453,988	108,024	258,054	303,958	153,182
Other loans	4,893,320	1,000,000	2,168,455	3,724,865	792,724
Total	\$ <u>17,670,237</u>	<u>1,108,024</u>	<u>2,972,460</u>	<u>15,805,801</u>	<u>1,505,906</u>
Business-type Activities:					
Capital leases	\$ <u>115,178</u>		115,178		
Total	\$ <u>115,178</u>	<u>0</u>	<u>115,178</u>	<u>0</u>	<u>0</u>

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(14) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net assets at September 30, 2011:

<u>Fund</u>	<u>Deficit Amount</u>
2 nd District Road Fund	\$ 23,636
4 th District Road Fund	216
5 th District Road Fund	32,054

(15) Contingencies.

Federal Grants - The county 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 grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by Three Rivers Solid Waste Management Authority for \$8,210,000. As part of a solid waste disposal service agreement between Pontotoc County and Three Rivers Solid Waste Management Authority, the county has agreed to pay its pro rata share of any obligations of the authority that are not covered by fees generated from solid waste disposal services. The county's pro rata share of the \$2,030,000 refunding bonds balance at September 30, 2011 was \$343,070.

(16) Joint Venture.

The county participates in the following joint venture:

Pontotoc County is a participant with Calhoun County and Chickasaw County in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Dixie Regional Library System. The regional library was created to provide free public library service for the respective counties. The regional library is governed by a five-member board appointed by the Boards of Supervisors, two from the library board of Pontotoc County, one from the library board of Chickasaw County, and two from the library board of Calhoun County. The county appropriated \$138,770 to the library in fiscal year 2011. Complete financial statements for the regional library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, Mississippi 38863.

(17) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Three Rivers Planning and Development District operates in a district composed of the Counties of Pontotoc, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Calhoun and Union. The Pontotoc County Board of Supervisors appoints five of the 40 members of the board of directors. The county appropriated \$30,000 for support of the district in fiscal year 2011.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Pontotoc County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$29,400 for support of the commission in fiscal year 2011.

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Itawamba Community College operates in a district composed of the Counties of Itawamba, Lee, Chickasaw, Pontotoc and Monroe. The Pontotoc County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county provided approximately \$945,970 by tax levy as an appropriation for maintenance and support of the college in fiscal year 2011.

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Pontotoc, Itawamba, Lafayette, Lee, Monroe, Calhoun and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. Each of these entities appoints one of the 14 board members. The entity is fiscally independent of all other entities as it can set its own budget, issue debt and set rates and charges. Members are billed based on the volume of solid waste received from each member. The county did not appropriate any funds for the support of the authority in fiscal year 2011.

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Pontotoc County Board of Supervisors appoints four of the 36 members of the board of directors. The county appropriated \$35,619 for support of the district in fiscal year 2011.

Lift, Inc. operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Pontotoc County Board of Supervisors appoints one of the 24 members of the board of directors. The county appropriated \$5,000 for support of Lift, Inc. in fiscal year 2011.

Pontotoc Union Lee Alliance (PUL) is an alliance to promote economic development in these three counties. The Pontotoc County Board of Supervisors appoints two of the nine members of the board of directors. The county did not appropriate any funds for support of the alliance during fiscal year 2011.

(18) Defined Benefit Pension Plan.

Plan Description. Pontotoc County, Mississippi, 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 information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$444,669, \$437,431 and \$426,693, respectively, equal to the required contributions for each year.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(19) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Pontotoc County evaluated the activity of the county through September 10, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/3/2011	3.00	\$ 800,000	CAP loan	Lease payments
2/29/2012	2.04	51,700	Capital lease	Ad valorem taxes
5/7/2012	2.20	79,500	Capital lease	Ad valorem taxes
7/30/2012	2.10	36,775	Capital lease	Ad valorem taxes
4/15/2013	1.64	79,865	Capital lease	Ad valorem taxes
5/31/2013	1.81	61,811	Capital lease	Ad valorem taxes
5/31/2013	1.72	29,750	Capital lease	Ad valorem taxes
5/31/2013	1.72	28,130	Capital lease	Ad valorem taxes
8/1/2013	1.72	30,000	Capital lease	Ad valorem taxes

PONTOTOC COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PONTOTOC COUNTY

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PONTOTOC COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,653,223	5,096,169	5,096,169	
Road and bridge privilege taxes		2,314	2,314	
Licenses, commissions and other revenue	917,000	863,573	863,573	
Fines and forfeitures	7,600	3,352	3,352	
Intergovernmental revenues	888,750	986,446	986,446	
Charges for services	45,000	51,379	51,379	
Interest income	91,500	68,621	8,924	(59,697)
Miscellaneous revenues	255,500	162,592	222,989	60,397
Total Revenues	<u>6,858,573</u>	<u>7,234,446</u>	<u>7,235,146</u>	<u>700</u>
EXPENDITURES				
Current:				
General government	3,678,773	3,554,852	3,554,852	
Public safety	2,316,975	2,107,840	2,107,840	
Public works	10,000	5,772	5,772	
Health and welfare	259,475	264,131	264,131	
Culture and recreation	142,500	115,000	115,000	
Conservation of natural resources	195,345	195,309	196,230	(921)
Economic development and assistance	45,630	30,730	30,730	
Debt service:				
Principal	529,538	584,469	584,469	
Interest	58,836	89,457	89,457	
Capital Outlay	140,000	30,856	30,856	
Total Expenditures	<u>7,377,072</u>	<u>6,978,416</u>	<u>6,979,337</u>	<u>(921)</u>
Excess of Revenues over (under) Expenditures	<u>(518,499)</u>	<u>256,030</u>	<u>255,809</u>	<u>(221)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		100,025	100,025	
Transfers out	(50)	(158,333)	(158,333)	
Total Other Financing Sources and Uses	<u>(50)</u>	<u>(58,308)</u>	<u>(58,308)</u>	<u>0</u>
Net Change in Fund Balance	(518,549)	197,722	197,501	(221)
Fund Balances - Beginning	<u>590,000</u>	<u>799,919</u>	<u>833,140</u>	<u>33,221</u>
Fund Balances - Ending	<u>\$ 71,451</u>	<u>997,641</u>	<u>1,030,641</u>	<u>33,000</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PONTOTOC COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,622,500	1,569,731	1,569,731	
Intergovernmental revenues	615,000	568,697	568,697	
Interest income	2,500	743	743	
Miscellaneous revenues	210,000	261,773	269,581	7,808
Total Revenues	<u>2,450,000</u>	<u>2,400,944</u>	<u>2,408,752</u>	<u>7,808</u>
EXPENDITURES				
Current:				
Public works	510,700	666,840	666,840	
Debt service:				
Principal	20,999	18,090	18,090	
Interest	251	216	216	
Total Expenditures	<u>531,950</u>	<u>685,146</u>	<u>685,146</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,918,050</u>	<u>1,715,798</u>	<u>1,723,606</u>	<u>7,808</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,058,050)</u>	<u>(1,600,000)</u>	<u>(1,600,000)</u>	
Total Other Financing Sources and Uses	<u>(2,058,050)</u>	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>0</u>
Net Change in Fund Balance	(140,000)	115,798	123,606	7,808
Fund Balances - Beginning	<u>100,000</u>	<u>(162,657)</u>	<u>48,773</u>	<u>211,430</u>
Fund Balances - Ending	<u>\$ (40,000)</u>	<u>(46,859)</u>	<u>172,379</u>	<u>219,238</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PONTOTOC COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Volunteer Fire Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 330,000	343,862	343,862	
Intergovernmental revenues	440,000	441,285	441,285	
Interest income	2,500	2,767	2,767	
Miscellaneous revenues		1,439	1,439	
Total Revenues	<u>772,500</u>	<u>789,353</u>	<u>789,353</u>	<u>0</u>
EXPENDITURES				
Current:				
Public safety	164,500	109,366	109,366	
Debt service:				
Principal	721,087	1,685,062	1,685,062	
Interest	33,913	79,249	79,249	
Total Expenditures	<u>919,500</u>	<u>1,873,677</u>	<u>1,873,677</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(147,000)</u>	<u>(1,084,324)</u>	<u>(1,084,324)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		1,000,000	1,000,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>
Net Change in Fund Balance	(147,000)	(84,324)	(84,324)	
Fund Balances - Beginning	<u>100,000</u>	<u>455,318</u>	<u>455,318</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (47,000)</u>	<u>370,994</u>	<u>370,994</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

PONTOTOC COUNTY

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PONTOTOC COUNTY, MISSISSIPPI

Notes to the Required Supplementary Information
For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	General Fund	Countywide Road Maintenance Fund	Volunteer Fire Fund
	<u> </u>	<u> </u>	<u> </u>
Budget (Cash Basis)	\$ 197,501	123,606	(84,324)
Increase (Decrease)			
Net adjustments for revenue accruals	(356,255)	(285,015)	(4,958)
Net adjustments for expenditure accruals	<u>348,963</u>	<u>268,308</u>	<u>(547)</u>
GAAP Basis	\$ <u>190,209</u>	<u>106,899</u>	<u>(89,829)</u>

PONTOTOC COUNTY, MISSISSIPPI

Notes to the Required Supplementary Information
For the Year Ended September 30, 2011

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following fund had an excess of actual expenditures over budget for the year ended September 30, 2011:

The fund listed above is in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with this violation.

<u>Fund</u>	<u>Excess</u>
General Fund	\$ <u><u>921</u></u>

PONTOTOC COUNTY

SUPPLEMENTAL INFORMATION

PONTOTOC COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture Passed-through Mississippi State Treasurer's Office Schools and roads - grants to states.	10.665	N/A	\$ 2,824
U.S. Department of Commerce/National Telecommunications and Information Administration/Passed-through the Mississippi Wireless Communications Commission Public safety interoperable communications grant program	11.555	N/A	71,949
U.S. Department of Justice Passed-through the Mississippi Department of Public Safety Passed-through the City of Tupelo Edward Byrne memorial formula grant program	16.579	10NM2321	29,793
U.S. Department of Labor Passed-through the Mississippi Development Authority Workforce Investment Act Cluster:			
WIA adult program	17.258	2000907	* 2,878,463
ARRA - WIA adult program	17.258	2000803	* 263
WIA youth activities	17.259	2000907	* 2,623,079
ARRA - WIA youth activities	17.259	2000803	* 79,134
WIA dislocated workers	17.260	2000907	* 100,000
WIA dislocated worker formula grants	17.278	2000907	* 2,731,005
ARRA - WIA dislocated worker formula grants	17.278	2000803	* 396,378
Total expenditures for workforce investment act cluster			<u>8,808,322</u>
U.S. Department of Transportation/Federal Highway Administration Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 074 B(058)	15,000
U.S. Department of Transportation Passed-through Mississippi Department of Public Safety Alcohol open container requirements	20.607	11-TA-158-1	43,629
Appalachian Regional Commission/Direct Award Appalachian area development	23.002	N/A	19,894
Total U. S. Department of Transportation			<u>58,629</u>
U.S. Department of Homeland Security Passed-through Mississippi Department of Public Safety Emergency management performance grants	97.042	N/A	8,156
Total Expenditures of Federal Awards			<u>\$ 8,999,567</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - Workforce Investment Act

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$8,808,322 to Three Rivers Planning and Development District during the year ended September 30, 2011.

* Denotes major federal award program

PONTOTOC COUNTY

SPECIAL REPORTS

PONTOTOC COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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*

Members of the Board of Supervisors
Pontotoc County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pontotoc County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 10, 2013. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. This report is qualified on the governmental activities, the business-type activities and Solid Waste Fund because the county did not record a liability or current year expense for other postemployment benefits as required by accounting principles in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-1, 11-2, 11-3, 11-4, 11-5, 11-6, 11-7, 11-8 and 11-11 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-9 and 11-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pontotoc County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 11-4, 11-5, 11-6, and 11-7.

We also noted certain instances of noncompliance which we have reported to the management of Pontotoc County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated September 10, 2013, included within this document.

Pontotoc County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Pontotoc County's responses and, accordingly, we express no opinion on them.

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



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 10, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Pontotoc County, Mississippi

Compliance

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

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

In our opinion, Pontotoc County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

Internal Control Over Compliance

The management of Pontotoc County, Mississippi, 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 County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county'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 timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

A handwritten signature in black ink that reads "Will. R. Dooss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 10, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Pontotoc County, Mississippi

We have examined Pontotoc County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Pontotoc County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Pontotoc County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

1. Inventory Control Clerk should maintain an inventory control system.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include marking all assets as property of the county, reconciling capital assets amounts added to inventory to invoices to ensure proper accounting, and obtaining Board of Supervisors' approval for all capital assets purchases. During test work, the following deficiencies were noted:

- a. Two capital assets had no identification of the assets being owned by the county.
- b. Several items were recorded on inventory at amounts that differed from the invoice price.
- c. The county purchased a rotary tiller mixer from Mississippi Office of Surplus Property for \$7,000 without approval and documentation of this approval in the Board of Supervisors' minutes.

A lack of internal controls over capital assets could result in the loss or misuse of these assets.

Recommendation

The Inventory Control Clerk should ensure that adequate internal controls are put in place over capital assets to ensure that all county assets are accounted for properly in the inventory records and are assigned asset number stickers with the county's name visible on the asset. All purchases should be approved before added to inventory.

Inventory Control Clerk's Response

I agree with these findings and will ensure that adequate internal controls are put in place over capital assets to ensure that all county assets are accounted for properly on the books and are assigned asset number stickers with the County's name visible on the asset. All purchases should be approved before added to inventory.

2. The Inventory Control Clerk should file inventory reports.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires that inventory reports be filed with the Office of the State Auditor no later than October 15th of each year. The county did not file the inventory report with the Office of the State Auditor for the 2011 fiscal year. The failure to prepare and file the annual report could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should submit the inventory report to the Office of the State Auditor by October 15th following each fiscal year.

Inventory Control Clerk's Response

I agree with this finding and will ensure that the Inventory Control Clerk will submit the inventory report to the Office of the State Auditor by October 15th following each fiscal year.

Assistant Purchasing Clerk.

3. Assistant Purchasing Clerk was not sufficiently bonded.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Assistant Purchase Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. The Assistant Purchase Clerk was only bonded for \$25,000 for fiscal year 2011. In the event of a loss or public funds involving the Assistant Purchase Clerk, the funds available to the county for recovery would be limited.

Recommendation

The Assistant Purchasing Clerk should obtain a bond for \$50,000 as required by law.

Assistant Purchasing Clerk's Response

I agree with this finding and will ensure that the Assistant Purchase Clerk shall obtain a bond for the specified amount as required by law.

Assistant Receiving Clerk.

4. Assistant Receiving Clerks were not sufficiently bonded.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Assistant Receiving Clerk to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. One Assistant Receiving Clerk was not bonded, one Assistant Receiving Clerk was found to have a bond on file, but it was for the position of Deputy and five other Assistant Receiving Clerks had bond coverage for only \$10,000 each. The failure to bond the Assistant Receiving Clerks for the required amount would limit the amount available for recovery if a loss occurred.

Assistant Receiving Clerk's Response

I agree with this finding and will ensure that the Assistant Receiving Clerks shall obtain a bond for the specified amount as required by law.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Pontotoc County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Pontotoc County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Pontotoc County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 10, 2013

PONTOTOC COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

Schedule 1

Our test results did not identify any purchases from other than the lowest bidder.

PONTOTOC COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

PONTOTOC COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
11/01/2010	Tailgate assembly for garbage truck	\$ 28,000	Pac-Mac



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Pontotoc County, Mississippi

In planning and performing our audit of the financial statements of Pontotoc County, Mississippi for the year ended September 30, 2011, we considered Pontotoc County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Pontotoc County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 10, 2013, on the financial statements of Pontotoc County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Interfund transfers and loans were not approved or adequately documented in the board minutes.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors. Interfund transfers and loans were made without board orders spread upon the minutes. Failure to obtain board approval for transfers or loans could result in illegal transfers or loans.

Recommendation

The Board of Supervisors should spread orders upon its minutes orders relative to transfers or loans.

Board of Supervisors' Response

The Board of Supervisors shall spread on its minutes on a timely basis all orders relative to transfers or loans.

2. Reimbursement for meals should be paid for employees only.

Finding

Section 25-3-41 (4), Miss. Code Ann. (1972), states an employee shall be reimbursed for actual expenses such as meals, lodging and other necessary expenses incurred in the course of travel. The county's personnel policy states that employees will be reimbursed for actual expenses incurred, not per diem. The comptroller was reimbursed for meals for herself and others as evidenced by receipts. Reimbursement of travel expenses for anyone other than the employee is a misappropriation of county assets.

Recommendation

The Board should implement internal control procedures to ensure travel expenses are paid according to county policy and statute and limitations set by the Department of Finance and Administration; and that reimbursements are for the county official/employee only.

Board of Supervisors' Response

The Board shall implement internal control procedures to insure travel expense are paid pursuant to county policy, state statutes, and limitations set by the Department of Finance and Administration; and that reimbursements are for the county official/employee only.

3. County should use cafeteria plan providers approved by the State Auditor.

Finding

Section 25-17-9, Miss. Code Ann. (1972), specifies only cafeteria plan providers who appear on the most recent list compiled by the State Auditor shall provide administrative services related to cafeteria plans of local entities. The former Chancery Clerk acted as the cafeteria plan administrator for the county, but was not on the list for 2011. Failure to use approved cafeteria plan providers could result in non-compliance with Internal Revenue Service requirements promulgated in Section 89 and 125 of the Internal Revenue Code.

Recommendation

The Board of Supervisors should consult the most recent list of cafeteria plan providers compiled the by State Auditor and select an approved plan provider to administer the county cafeteria plan.

Board of Supervisors' Response

The Board of Supervisors shall review the most recent list of cafeteria plan providers compiled by the State Auditor and then select an approved plan provider to administer the county cafeteria plan.

4. Required documentation should be filed with PERS when hiring PERS service retirees.

Finding

The Mississippi Public Employees Retirement System (PERS) requires, under the reemployment provisions of Section 25-11-127, Miss. Code Ann. (1972), counties hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgement of Re-Employment of Retiree" with the PERS office within five days from the date of employment of the retiree. It also states that the service retiree will earn no more than one-half (1/2) of the full-time authorized salary for the position at the time of employment. During our test of internal control related to the payroll expenditures, we noted that the county employed one service retiree. Lack of internal controls related to the payroll cycle resulted in county personnel not correctly filing all of the necessary forms required for PERS service retirees. The Mississippi Public Employees Retirement System could assess a penalty per occurrence payable by the county for not filing PERS Form 4B within five days of re-employment of the service retiree.

Recommendation

The Board of Supervisors should implement procedures to ensure that the county correctly files PERS Form 4B “Certification/Acknowledgement of Re-Employment of Retiree” for all retirees hired by the county within five days of employment. We also recommend that the Board of Supervisors ensures service retirees earn no more than what is allowed on their Form 4B.

Board of Supervisors’ Response

The county shall implement procedures to ensure that PERS Form 4B is correctly filed for all retirees hired by the county within five (5) days of employment. No service retirees will earn more than what is allowed on their Form 4B.

5. The county should not allow individuals other than employees and their dependents to participate in insurance plan.

Finding

Section 25-15-101, Miss. Code Ann. (1972), authorizes counties to obtain health insurance and other kinds of insurance for employees and their dependents. The county allowed two Chamber of Commerce employees to participate in the county’s health insurance with these Chamber of Commerce employees reimbursing the county for their premiums. However, there is no authority for a county to provide health insurance for individuals who are not employees of the county. Failure to limit participation in county’s group health insurance to employees and their dependents could result in increased premium costs for the county.

Recommendation

The county should only allow employees and their dependents to obtain insurance through the County.

Board of Supervisors’ Response

The county shall take action to only allow employees or legally authorized persons (by approved A. G. Opinions) to obtain insurance through the County.

6. Controls over repayment of interfund advances should be strengthened.

Finding

The county has interfund loans outstanding that are over a year old. These interfund loans total \$64,620 as of September 30, 2011. These advances are related to indirect costs associated with garbage collection activities that are owed to the General Fund. The Mississippi Code is silent regarding the authority of the county to make these loans. Failure to repay these loans constitutes a diversion of legally restricted funds.

Recommendation

The Board of Supervisors should ensure that the General Fund is reimbursed for these old interfund advances associated with garbage collection activities.

Board of Supervisors’ Response

We agree with this finding and these loans were repaid. The sum of \$64,620 was transferred from Solid Waste Fund to the General Fund on November 30, 2011.

Chancery Clerk.

7. The Chancery Clerk deducted unallowable and undocumented expenses on the annual financial report.

Finding

Section 9-1-43(1) Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the county's General Fund on or before April 15th for the preceding calendar year. The Chancery Clerk claimed \$12,640 in expenses in 2011 for which there was insufficient documentation or was not an allowable business expense. After the disallowance of these expenses, the Chancery Clerk owes an additional \$12,640 in excess fees for the 2011 calendar year. Failure to settle these additional excess fees could result in the loss of public funds.

Recommendation

The Chancery Clerk's annual financial report should be revised to reflect corrections to the line items that were incorrect and the balance due the county should be paid to the General Fund.

Former Chancer Clerk's Response

The former Chancery Clerk chose not to respond.

Auditor's Note

The Chancery Clerk remitted to the General Fund 2011 excess fees of \$12,879 as evidenced by the county's receipt #028008 on January 8, 2013. This remittance included \$12,640 for unallowed and undocumented expenses and \$239 for unreimbursed payroll.

8. Internal controls over Chancery Clerk reimbursing salaries should be strengthened.

Finding

An effective system of internal control over payroll should include the timely reimbursement of county funds for Chancery Clerk's employee payroll costs. The former Chancery Clerk employed deputies whose payroll is processed with the county's payroll. The former Chancery Clerk reimbursed the county for his deputies' salaries after the actual payroll date, instead of paying in advance. Unauthorized raises were given to these employees in September. The former Chancery Clerk did not reimburse the county for the total amount of raises given and the associated benefits which amounted to \$239. Failure to reimburse the county for Chancery Clerk's employee payroll costs results in an unauthorized loan to the former Chancery Clerk.

Recommendation

The former Chancery Clerk should pay deputies' salaries, including benefits, to the county in advance of the payroll period. If payment is not made in advance, then the county should not issue a payroll check for the deputy clerk. The former Chancery Clerk should repay the county the amount of \$239 not previously reimbursed.

Former Chancery Clerk's Response

The former Chancery Clerk chose not to respond.

Auditor's Note

The Chancery Clerk remitted to the General Fund 2011 excess fees of \$12,879 as evidenced by the county's receipt #028008 on January 8, 2013. This remittance included \$12,640 for unallowed and undocumented expenses and \$239 for unreimbursed payroll.

9. Internal controls over accounting and reconciling Chancery Clerk fee income and expenses should be strengthened.

Finding

Section 9-1-43, Miss. Code Ann (1972), requires the Chancery Clerk to maintain a cash fee journal. The December 2011 bank reconciliation for the Chancery Clerk's fee journal account did not agree with the December 31st cash balance of the fee journal. There was an unreconciled difference of \$574.95. Failure to properly maintain the fee journal and reconcile to the bank account could result in the loss of public funds.

Recommendation

The Chancery Clerk should ensure that the fee journal is properly maintained and the bank statement is reconciled to the fee journal.

Chancery Clerk's Response

I agree with this finding and will ensure that the fee journal is properly maintained and the bank statement is reconciled to the fee journal.

10. County signed warrants without sufficient money.

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits warrants from being signed or delivered by the clerk until there is sufficient money in the fund upon which it is drawn to pay the same. During audit test work, it was noted that the District 5 Road Fund had a negative cash balance of \$10,847 as of September 30, 2011. Failure to have a sufficient cash balance in this fund prior to writing checks resulted in other funds' cash being used for purposes other than their intended purpose.

Recommendation

The Chancery Clerk should ensure that no checks are written on a fund when cash is not available.

Chancery Clerk's Response

I agree with this finding and will ensure that no checks are written on a fund when cash is not available.

11. The public depositor annual report was not submitted.

Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. The public depositor annual report was not submitted to the State Treasurer as required. Without accurate and timely filing of the public depositor annual report with the State Treasurer, the risk increases that the county's total deposits may not be properly collateralized.

Recommendation

The Chancery Clerk should ensure the public depositor annual report is submitted with accurate amounts as of September 30, 2011 by October 31st.

Chancery Clerk's Response

I agree with this finding and will ensure that the public depositor annual report is submitted with accurate amounts as of September 30, 2011 by October 31.

Circuit Clerk.

12. The Circuit Clerk deducted unallowable and undocumented expenses on the annual financial report.

Finding

Section 9-1-43(1) Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the county's General Fund on or before April 15th for the preceding calendar year. The former Circuit Clerk deducted a check in the amount of \$11,917.99 to PERS on her 2011 annual report. The check was dated 12/30/2011 but did not clear the bank until 02/28/2012. Per a decision by PERS and the Office of the State Auditor, this should not have been a deductible expense on that report and is therefore disallowed. A deduction was also taken for a donation in the amount of \$25 that was not allowable. Total expenses disallowed are \$11,942.99. Per the original annual report, the former Circuit Clerk did not exceed the salary cap. However, after adding the disallowed expenses back to income, the \$90,000 was exceeded by \$10,451. Failure to pay all excess fee amounts to the county could result in the loss of public funds.

Recommendation

The former Circuit Clerk should reimburse the county \$10,451 for the amount that exceeds the \$90,000 salary cap.

Former Circuit Clerk's Response

My response for the condition of the findings of \$11,917.99 to PERS as disallowed is that I followed the law. Senate Bill 2347 passed in 2011 and amended sections 25-11-106.1 and 9-1-43 to allow circuit clerks to deduct under the cap. As stated in section 25-11-106.1 says payment must be no later than when the annual earnings report is required to be filed with State Auditor's Office. No prohibition from paying early. PERS contribution can be paid at any time prior to the required date for filing the annual report and would be deductible in the year paid from Clerk's report as required under Section 9-1-43. At this time I sent a letter requesting an attorney general's opinion.

Auditor's Note

The Circuit Clerk paid \$10,451 to the General Fund on May 17, 2013 as evidenced by receive warrant #028473.

13. Circuit Clerk was paid excess amount for lost cost and state failed cases.

Finding

Section 25-7-13(4), Miss. Code Ann. (1972), states that the clerk's fees in state cases where the state fails in the prosecution, or in cases of felony where the defendant is convicted and the cost cannot be made out of his estate, an amount not to exceed \$400.00 in one year, shall be paid out of the county treasury on approval of the circuit court, and the allowance thereof by the board of supervisors of the county. The former Circuit Clerk was over paid \$1,000 for lost cost and state failed cases. Failure to follow state statutes for payments to Circuit Clerk could result in the loss of public funds.

Recommendation

The Circuit Clerk should only request payment for amounts authorized in statute. The overpayment noted in this finding has been considered in a separate finding regarding the former Circuit Clerk's office, and will not need to be reimbursed separately.

Former Circuit Clerk's Response

The former Circuit Clerk chose not to respond.

Sheriff.

14. Sheriff's deputies were not sufficiently bonded.

Finding

Section 45-5-9, Miss. Code Ann. (1972), requires every Sheriff's deputy hired under this section to execute a bond for \$50,000 to be payable, conditioned and approved as provided by law. The Sheriff's deputies were bonded for \$25,000. The failure to bond Sheriff's deputies for the required amount would limit the amount available for recovery if a loss occurred.

Recommendation

The Sheriff should ensure a bond in the amount of \$50,000 is executed for each Deputy Sheriff hired under this statute as required by law.

Sheriff's Response

I agree with this finding and will ensure that the Sheriff will obtain a bond in the amount of \$50,000 for each Deputy Sheriff hired under this statute as required by law.

Deputy Tax Assessor.

15. Official bonds for some deputy tax assessors were not in compliance with applicable statutes.

Finding

Section 27-1-3, Miss. Code Ann. (1972), states that deputies appointed by the assessor shall be required to give bond in the amount not less than \$10,000. One Deputy Tax Assessor has a bond that was originally for the position of Deputy Tax Collector, but she now works in the Assessor's office. No bond could be found for two Deputy Tax Assessors. An original bond found for one Deputy Tax Assessor had no description as to the position bonded or the term; however, it has been renewed annually since the original. The failure to bond the Deputy Tax Assessors for the required amount would limit the amount available for recovery if a loss occurred.

Recommendation

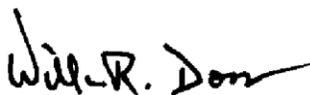
The Deputy Tax Assessors should obtain bonds for \$10,000 as required by law.

Deputy Tax Assessor's Response

I agree with this finding and will ensure that the deputy tax assessors shall obtain a bond for the specified amount as required by law.

Pontotoc County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

September 10, 2013

PONTOTOC COUNTY

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PONTOTOC COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PONTOTOC COUNTY

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PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Qualified |
| | Business-type activities | Qualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Countywide Road Maintenance Fund | Unqualified |
| | Volunteer Fire Fund | Unqualified |
| | Solid Waste Fund | Qualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | Yes |

Federal Awards:

- | | | |
|----|---|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | No |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133?) | No |
| 7. | Federal programs identified as major program: | |
| | a. Workforce Investment Act Cluster
CFDA #: 17.258, 17.259, 17.260, 17.278, ARRA-17.258, ARRA-17.259
and ARRA-17.278 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 11 - 1. Financial data for component units not included in financial statements.

Finding

Generally accepted accounting principles require the financial data of the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

Beginning immediately the Board of Supervisors shall provide audited financial data for its discretely presented component units for inclusion in the county's financial statements.

Material Weakness

- 11-2. Liability for postemployment benefits not recorded and note disclosures for postemployment benefits not reported.

Finding

Pontotoc County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees through the county's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as a single employer defined benefit health care plan. GASB Statement 45 requires the county to report on an accrual basis the liability associated with other postemployment benefits. The county has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The county does not issue a publicly available financial report for its health insurance plan. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business-type activities and Solid Waste Fund.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Board of Supervisors' Response

The Board of Supervisors shall begin to have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with generally accepted accounting principles in the United States of America.

Material Weakness

11-3. Internal Controls over payroll should be strengthened.

Finding

An effective system of internal control over the county payroll should include proper segregation of duties, proper authorization of payroll and documentation for all withholdings, deductions, leave and hours worked. Inadequate controls exist in the payroll function:

- a. The employment and salaries of the county employees are not authorized in the Board of Supervisors' minutes and filed in the individual personnel files.
- b. Time sheets documenting hours worked and records documenting accumulated leave are not maintained in the payroll department.
- c. Inconsistent treatment of voluntary cafeteria plan deductions was noted.
- d. Payroll clerk paid herself without any oversight.
- e. The county's payroll system had multiple employee identification numbers for the same employee.
- f. Retirement was not held out for all employee identification numbers.
- g. No reconciliation of retiree payments for insurance reimbursement amounts owed was performed.

Without proper controls, unauthorized or inaccurate payroll checks could be processed.

Recommendation

The Board of Supervisors should implement an adequate system of internal control over the county payroll function. An adequate system should include the following control features:

- a. Responsibilities for the supervision and time-keeping function should be separate from personnel, payroll processing, disbursement and general ledger functions.
- b. Authorization for all payroll and employment status changes should be recorded in the Board of Supervisors minute books.
- c. Documentation for all payroll and employment status changes should be kept in each individual personnel file.
- d. Payroll records should be maintained for accumulated and used employee benefits (vacation, medical, etc.).
- e. Hours worked should be reviewed and approved by the employee's supervisor for each payroll period.
- f. Changes to the EDP master payroll file should be documented.
- g. Personnel files should contain withholding exemption forms, and insurance deduction forms.
- h. The hiring and termination of all county employees should be documented in the Board of Supervisors' minute books.
- i. Payments from retirees for insurance reimbursement should be reconciled.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Board of Supervisors' Response

The Board of Supervisors shall install an adequate system of internal controls over the county payroll function, to include the following:

- a. Responsibilities for the supervision and time-keeping function shall be separated from personnel, payroll processing, disbursement and general ledger functions.
- b. Authorization for all payroll and employment status changes shall be recorded in the Board of Supervisors minute books.
- c. Documentation for all payroll and employment status changes shall be kept in each individual personnel file.
- d. Payroll records shall be maintained for accumulated and used employee benefits.
- e. Hours worked shall be reviewed and approved by the employee's supervisor for each payroll period.
- f. Changes to the EDP master payroll file shall be documented.
- g. Personnel files shall contain withholding exemption forms and insurance deduction forms.
- h. The hiring and termination of all county employees shall be documented in the Board of Supervisors minute books.
- i. Payments from retirees for insurance reimbursements shall be reconciled.

Material Weakness

Material Noncompliance

- 11-4. The Board of Supervisors levied a tax for ambulance service that is not authorized by law.

Finding

Section 19-3-40(3), Miss. Code Ann. (1972), prohibits the Board of Supervisors from levying taxes other than those authorized by statute. The Board of Supervisors levied a tax for ambulance service under Section 41-55-7, Miss. Code Ann. (1972), which is not an authority to levy, but an authority to spend money from the General Fund for ambulance services. We know of no authority for the Board of Supervisors to impose a separate tax levy for the ambulance service.

Recommendation

In the future, the Board of Supervisors should only levy taxes that are authorized by statute. Furthermore, the Board of Supervisors should account for those taxes collected under this unauthorized levy as if they were General Fund tax collections for purposes of limitations on tax increases.

Board of Supervisors' Response

The Board of Supervisors shall comply with requirements.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Material Weakness
Material Noncompliance

- 11-5. The Board of Supervisors levied a tax for planning and development district that is not authorized by law.

Finding

Section 19-3-40(3), Miss. Code Ann. (1972), prohibits the Board of Supervisors from levying taxes other than those authorized by statute. The Board of Supervisors levied a tax to advertise county resources under Section 17-3-1, Miss. Code Ann. (1972), which is an authority to spend money from the General Fund for advertising county resources. Furthermore, the taxes generated from using this tax levy were given to the planning and development district which is not advertising county resources. We know of no authority for the Board of Supervisors to impose a tax levy a separate tax levy for advertising county resources.

Recommendation

In the future, the Board of Supervisors should only levy taxes that are authorized by statute. Furthermore, the Board of Supervisors should account for those taxes collected under this unauthorized levy as if they were General Fund tax collections for purposes of limitations on tax increases. Section 17-19-1, Miss Code Ann. (1972), allows the Board of Supervisors to give the planning and development district money.

Board of Supervisors' Response

The Board of Supervisors shall comply with requirements.

Material Weakness
Material Noncompliance

- 11-6. The Board of Supervisors authorized payments to planning and development district past their term of office without statutory authority.

Finding

Absent specific authority, the governing authorities of a county may not bind their successors in office to commitments which take away the rights and powers conferred by law in the absence of express statutory authority. On December 30, 2010, the Board of Supervisors approved an order to pay \$33,400 to Three Rivers Planning and Development District on an annual basis for up to seven years to be used to create and retain jobs in the county at any industrial site in the county. Therefore, the execution of the board order with a seven year annual basis is voidable and subject to being canceled by their successors in office.

Recommendation

The Board of Supervisors should not make contracts past their term of office without specific statutory authority.

Board of Supervisors' Response

The Board of Supervisors shall comply with requirements.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Material Weakness
Material Noncompliance

- 11-7. The Board of Supervisors did not cite the specific levy authority from the Mississippi Code for each county levy.

Finding

Section 27-39-317, Miss. Code Ann. (1972), requires the Board of Supervisors to specify the purpose of each tax levy when approving the tax levy. The specific authority from the Mississippi Code should be cited for each tax levy contained in the county ad valorem tax levy. The Board of Supervisors approved the fiscal year ended September 30, 2011 tax levy without citing the specific authority from the Mississippi Code for the following purposes: Volunteer Fire Departments and the Pontotoc County Industrial Park. A statutory authority does exist for a county to levy for each of these purposes; however, we were unable to verify the authority or the correctness of the amount levied. The omissions of legal descriptions could lead to improper or unauthorized tax levies.

Recommendation

The Board of Supervisors should cite the specific levy authority from the Mississippi Code for each county levy.

Board of Supervisors' Response

The Board of Supervisors shall comply with requirements.

Chancery Clerk.

Material Weakness

- 11-8. Segregation of duties in Chancery Clerk's office should be strengthened.

Finding

An effective system of internal control should include the separation of duties over the accounting for the collection, recording and disbursement of cash. As reported in the prior year's audit report, the Chancery Clerk office does not have an adequate separation of duties over the accounting functions. Observations showed that the two deputy clerks in the Chancery Clerk office receipt money, make deposits, enter receipts into the system, reconcile the bank statements, and prepare and print cash disbursements. The Chancery Clerk and the Board of Supervisors only review the cash disbursements made. The conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

The Chancery Clerk should implement effective internal control policies that allow for the proper segregation of duties for the collection, deposit preparation, disbursement, general journal, recoding and reconciling functions.

Chancery Clerk's Response

I agree with these findings and will implement effective internal control policies that allow for the proper segregation of duties for the collection, deposit preparation, disbursement, general journal, recording and reconciling functions.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Significant Deficiency

11-9. Internal controls over payment of claims should be strengthened.

Finding

An effective system of internal control over payment of claims should include verifying that invoice quantities and amounts are in agreement with purchase requisition, purchase order and receiving report amounts and that the Board of Supervisors has approved claim for payment. We noted that:

- a. A claim was paid prior to the date on the receiving report.
- b. The same claim was paid prior to board approval.
- c. The invoice and claim amount for this claim were more than the purchase requisition and purchase order amount.

Noncompliance could lead to the county paying for items not received by the county or not approved by the Board of Supervisors.

Recommendation

The claims should not be paid prior to board approval or before the receiving report is signed.

Chancery Clerk's Response

I agree with these findings and will ensure that claims are not paid prior to board approval or before the receiving report is signed.

Inventory Control Clerk.

Significant Deficiency

11-10. Internal Controls over capital assets should be strengthened.

Finding

An effective system of internal controls over capital assets includes marking all assets as property of the county, reconciling capital assets amounts added to inventory to invoices to ensure proper accounting, and obtaining Board of Supervisors' approval for all capital assets purchases. During test work, the following deficiencies were noted:

- a. Two capital assets had no identification of the assets as being owned by the county.
- b. Several items were recorded on inventory at amounts that differed from the invoice price.
- c. The county purchased a rotary tiller mixer from Mississippi Office of Surplus Property for \$7,000 without approval and documentation of this approval in the Board of Supervisors' minutes.

A lack of internal controls over capital assets could result in the loss or misuse of these assets.

Recommendation

The Inventory Control Clerk should ensure that adequate internal controls are put in place over capital assets to ensure that all county assets are accounted for properly on the books and are assigned asset number stickers with the county's name visible on the asset. All purchases should be approved before added to inventory.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Inventory Control Clerk's Response

I agree with these findings and will ensure that adequate internal controls are put in place over capital assets to ensure that all county assets are accounted for properly on the books and are assigned asset number stickers with the County's name visible on the asset. All purchases should be approved before added to inventory.

Justice Court Clerk.

Material Weakness

11-11. Segregation of duties in Justice Court Clerk's office should be strengthened.

Finding

An effective system of internal controls should include an adequate separation of duties, maintenance and reconciliation of records documenting daily collections and adequate physical safeguards over cash collections. Controls were inadequate over cash. The cash collection and disbursement functions in the Justice Court Office were not adequately separated for effective internal control. The following deficiencies were noted:

- a. The Deputy Justice Court Clerk collects cash and issues receipts; prepares daily check-up sheets, deposits and makes monthly settlements, takes deposits to the bank; posts the cash journal; reconciles bank statements; and writes checks for all disbursements.
- b. The Justice Court Clerk Office does not have locked cash drawers or a locked safe to safeguard cash collections during the day and overnight.
- c. The Justice Court Clerk did not make deposits every day.
- d. The Justice Court Clerk did not prepare daily check-up sheets every day. Daily check-up sheets are printed off when deposits are made, which is sometimes for several day's collections.

Failure to implement adequate controls over collections, recording, and disbursement functions as well as implementing necessary physical safeguards could result in the loss of public funds.

Recommendation

The Justice Court Clerk should take steps to ensure that there is an adequate separation of duties in the collection, recording, and disbursement functions of the Justice Court Clerk Office or that there is external oversight over the operations of the Justice Court Clerk Office. She should also ensure that records documenting daily collections are properly maintained and reconciled to the daily deposits and that controls are in place to properly safeguard cash collections.

Justice Court Clerk's Response

We are now taking all money in a locked bank bag at 5:00pm to the Chancery Clerk vault signing in and going back in the morning signing out.

Section 3: Federal Award Findings and Questioned Costs

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