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**PONTOTOC COUNTY, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS AND**  
**SPECIAL REPORTS**

For the Year Ended September 30, 2015

***M. M. WINKLER & ASSOCIATES***  
***Certified Public Accountants***  
***Tupelo, Mississippi***

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**PONTOTOC COUNTY, MISSISSIPPI**

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**PONTOTOC COUNTY, MISSISSIPPI**

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# **M. M. WINKLER & ASSOCIATES, PLLC**

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### **INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Pontotoc County, Mississippi

#### **Report on the Financial Statements**

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, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. Except as discussed in the ninth paragraph, 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 from material misstatement.

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

#### **Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units**

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 position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

## INDEPENDENT AUDITOR'S REPORT

- Continued -

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Pontotoc County, Mississippi, as of September 30, 2015 or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Qualified Opinion on Governmental Activities, Business-type Activities, and the Solid Waste Fund**

As discussed in Note 11 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 position 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 position and expenses of the governmental activities, the business-type activities, and the Solid Waste Fund is not reasonably determinable.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Governmental Activities, Business-type Activities, and the Solid Waste Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and the Solid Waste Fund of Pontotoc County, Mississippi, as of September 30, 2015, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Qualified Opinion on the General Fund**

Management did not maintain adequate subsidiary records documenting the completeness, existence and valuation of fines receivable of the Justice Court and Circuit Court and the aging of these fines receivable. Due to the nature of the County records, we were unable to satisfy ourselves as to the fair presentation of Justice Court and Circuit Court fines receivable, net, reported on the Statement of Net Position and in the General Fund at \$273,883 as of September 30, 2015. Also, because of the nature of the Justice Court and Circuit Court fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions in the General Fund.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the General Fund” paragraph, if any, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of Pontotoc County, Mississippi, as of September 30, 2015, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the County-wide Road Maintenance Fund, the Industrial Development Fund, the Pride Mobility Fund and the aggregate remaining fund information of Pontotoc County, Mississippi, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## INDEPENDENT AUDITOR'S REPORT

- Continued -

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the schedule of the County's Proportionate Share of the new Pension Liability, Schedule of the County's Contributions and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Omission of Required Supplementary Information

Pontotoc County, Mississippi, has omitted the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Supplementary and Other Information*

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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2018, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pontotoc County, Mississippi's internal control over financial reporting and compliance.

*M. M. Winkler & Associates, PLLC*

February 27, 2018

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**PONTOTOC COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
UNAUDITED**

## **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, 2015. 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 relative 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 position decreased from \$65,474,971 in FY 2014 to \$56,703,173, (including the prior period adjustment) which represents a decrease of 13.40%. The county's cash balance decreased from \$5,922,218 in FY 2014 to \$5,743,790, which represents an decrease of 3.01%.

The county had \$17,632,141 in total revenues. Property tax revenues account for \$8,541,653 or 48.44% of total revenues. Program specific revenues in the form of charges for services and grants accounted for \$7,243,971 or 41.08% of total revenues.

The county had \$18,551,533 in total expenses which represents an increase of \$2,402,348 or 14.88% from the prior fiscal year. Expenses in the amount of \$7,243,971 were offset by program specific revenues in the form of charges for services and grants. With general revenues in the amount of \$10,388,170 a net decrease in net assets occurred of \$8,771,798, including the prior period adjustment.

Among major funds, the General Fund had \$7,267,571 in revenues and \$7,938,820 in expenditures. The General Fund's fund balance decreased \$493,974 from the prior year.

## FINANCIAL HIGHLIGHTS - Continued

Among major funds, the County Wide Road Maintenance Fund had \$4,110,863 in revenues and \$2,110,162 in expenditures. The County Wide Road Maintenance Fund balance increased \$200,701 over the prior year.

Among major funds, the Industrial Development Fund had \$39,006 in revenues and \$71,626 in expenditures. The Industrial Development Fund balance increased \$24,405 over the prior year.

Among major funds, the Pride Mobility Fund had \$68,970 in revenues and \$227,099 in expenditures. The Pride Mobility Fund balance increased \$264,669 over the prior year.

The Solid Waste Fund had \$1,288,579 in revenues and \$1,256,740 in expenses. The Solid Waste Fund net position decreased by \$753,401, including the prior period adjustment.

Net investment in capital assets, decreased by \$706,870. This decrease is mainly due to the depreciation of assets.

Total long-term debt decreased by \$555,622.

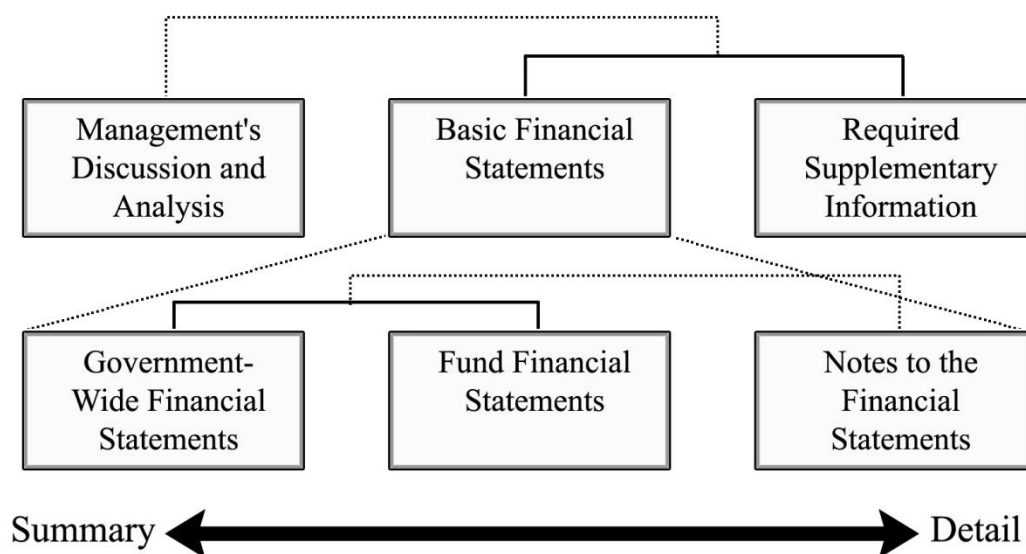
## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

**Figure 1 – Required Components of the County's Annual Report**



## OVERVIEW OF THE FINANCIAL STATEMENTS - continued

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

	<b>Government -Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset, deferred outflow, liability, deferred inflow information</b>	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital and short and long term	Only assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, and short and long term	All assets, deferred outflows, liabilities, and deferred inflows, both short and long term
<b>Type of inflow/outflow information</b>	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 position** presents information on all County assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position 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 position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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; education; economic development; and interest on long-term debt. The business-type activities of the County is the Solid Waste Fund.

The Government-wide Financial Statements can be found on pages 23 and 24 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 26 and 29, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. 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 25 and 27-28 of this report.



## OVERVIEW OF THE FINANCIAL STATEMENTS – Continued

**Proprietary funds** are maintained as enterprise funds. These 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 30 through 32 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 33 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 35 through 58 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 and pension standards.

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. Also, with the County implementation of GASB 68 and 71 the Schedule of the County's Proportionate Share of the Net Pension Liability and Schedule of County's Contributions have been provided. This required supplementary information can be found on pages 61 through 66 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 69 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Position** – Net position may serve over time as a useful indicator of government's financial position. In the case of Pontotoc County, assets and deferred outflows exceeded liabilities and deferred inflows by \$56,703,173 as of September 30, 2015.

By far, the largest portion of the County's net position, 102.11%, reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease 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.

GASB 68 and GASB 71, as disclosed in Note 1, were implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68 and GASB 71.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

The following table presents a summary of the County's net position at September 30, 2015.

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Current assets	\$ 23,413,204	864,041	24,277,245
Capital assets, net	<u>62,977,979</u>	<u>250,541</u>	<u>63,228,520</u>
Total assets	\$ <u>86,391,183</u>	<u>1,114,582</u>	<u>87,505,765</u>
Deferred Outflows	\$ <u>1,571,670</u>	<u>174,630</u>	<u>1,746,300</u>
<b>Liabilities:</b>			
Current liabilities	\$ 832,658	116,398	949,056
Long-term debt outstanding	14,396,407	164,465	14,560,872
Net pension liability	<u>8,903,824</u>	<u>989,313</u>	<u>9,893,137</u>
Total liabilities	\$ <u>24,132,889</u>	<u>1,270,176</u>	<u>25,403,065</u>
Deferred inflows	\$ <u>7,127,825</u>	<u>18,002</u>	<u>7,145,827</u>
<b>Net position:</b>			
Net Investment in capital assets	\$ 57,812,239	86,076	57,898,315
Restricted	5,006,772	-	5,006,772
Unrestricted	<u>(6,116,872)</u>	<u>(85,042)</u>	<u>(6,201,914)</u>
Total net position	\$ <u><u>56,702,139</u></u>	<u><u>1,034</u></u>	<u><u>56,703,173</u></u>

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position	\$ (6,201,914)
Less unrestricted deficit in net position resulting from recognition of GASB 68 and 71	<u>8,326,857</u>
Unrestricted net position, exclusive of the net pension liability effect	\$ <u><u>2,124,943</u></u>

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 \$1,285,655 in charges for services for the proprietary fund for the year ended September 30, 2015.

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

- The County purchased land in the amount of \$1,344,288 for economic development purposes, started work on replacing a State Aid Road bridge for \$489,515, and acquired vehicles and equipment for \$362,840 during fiscal year 2015. Current year depreciation expense was \$3,125,175.
- The County issued \$763,340 of debt for road repairs, equipment and economic development during the fiscal year. The County made \$1,332,868 in scheduled debt payments.
- The Ad Valorem Tax Fee-In-Lieu receivable decreased by \$451,939 due to receipt of payment and adjustment to estimated present value.
- The implementation of GASB 68 and 71 resulted in the recognition of a net pension liability in the amount of \$9,893,137 with related deferred outflows of \$1,746,300 and deferred inflows of \$180,020.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

**Changes in Net Positions** – Pontotoc County's total revenues for the fiscal year ended September 30, 2015 were \$17,632,141. The total cost for all services provided was \$18,551,533. The decrease in net position was \$8,771,798, including the prior period adjustment. The following table presents a summary of the changes in net position for each of the fiscal year ended September 30, 2015.

	Governmental Activities	Business-type Activities	Total
	<u>2015</u>	<u>2015</u>	<u>2015</u>
Revenues:			
Program revenues			
Charges for services	\$ 1,227,249	\$ 1,285,655	\$ 2,512,904
Operating grants and contributions	2,789,787	-	2,789,787
Capital grants and contributions	1,941,280	-	1,941,280
General revenues			
Property taxes	8,541,653	-	8,541,653
Road & Bridge privilege taxes	376,260	-	376,260
Ad Valorem tax fee on-lieu	571,645	-	571,645
Other Grants and contributions	593,907	-	593,907
Other	301,781	2,924	304,705
Total Revenues	\$ 16,343,562	\$ 1,288,579	\$ 17,632,141
Expenses:			
General government	3,890,921	-	3,890,921
Public safety	3,516,863	-	3,516,863
Public works	7,195,982	-	7,195,982
Health and welfare	280,596	-	280,596
Culture and recreation	419,414	-	419,414
Conservation of natural resources	94,931	-	94,931
Economic development	223,458	-	223,458
Interest on long-term debt	671,012	-	671,012
Pension Expense	1,001,616	-	1,001,616
Solid waste collection & disposal	-	1,256,740	1,256,740
Total Expenses	\$ 17,294,793	\$ 1,256,740	\$ 18,551,533
Increase (Decrease) in Net Position, before prior period adjustment	\$ (951,231)	\$ 31,839	\$ (919,392)

**Governmental Activities** – The following table presents the cost of ten 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 Collection and Disposal.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

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.

	Total Expenses	Net (Expense) Revenue
	<u>2015</u>	<u>2015</u>
General government	\$ 3,890,921	\$ (3,222,013)
Public safety	3,516,863	(2,664,962)
Public works	7,195,982	(4,327,814)
Health & welfare	280,596	(184,932)
Culture and recreation	419,414	(419,414)
Conservation of natural recourses	94,931	(94,931)
Economic development	223,458	1,250,217
Interest on long-term debt	671,012	(671,012)
Pension Expense	1,001,616	(1,001,616)
Solid Waste	1,256,740	28,915

## 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 \$5,416,329, an increase of \$469,574. The primary reasons for this increase, is the long-term debt issued during the year by the County.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$493,974.

**Business-type funds** – Revenue from the County's Garbage Collection Fund increased by 0.48% to \$1,285,655 and expenses increased by 5.70% to \$1,255,105.

## BUDGETARY HIGHLIGHTS

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

- Final budget to actual as required by state law.

## BUDGETARY HIGHLIGHTS - Continued

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** – As of September 30, 2015, Pontotoc County's total capital assets were \$108,098,096. 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 \$2,122,780. This increase is due to purchase of land and the purchase of equipment.

Total accumulated depreciation as of September 30, 2015 was \$44,869,576, including \$3,125,175 depreciation expense for the year. The balance in total net capital assets was \$63,228,520 at year-end.

Additional information on Pontotoc County's capital assets can be found in note 7 on pages 46 and 47 of this report.

**Debt Administration** – At September 30, 2015, Pontotoc County had \$14,560,872 in long-term debt outstanding. This is a decrease over prior year of \$555,622 that is due to debt issues totaling \$763,340 for roads, economic development and capital leases, and \$1,332,868 in normal debt payments. Of this debt, \$1,406,325 is due within one year.

Additional information on Pontotoc County's long-term debt can be found in note 13 on pages 54 and 55 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. Job creation did occur and continues with current expansions underway with other industries.

Pride Mobility Products Corp. will begin manufacturing in its wholly-owned, vertically-integrated, lift chair manufacturing plant in October, 2016. Pride Mississippi will employ approximately 100 local employees who will manufacture every aspect of Pride lift chairs. Providers are expected to begin receiving models built in the Pride Mississippi plant as early as November, 2016, with the majority of Pride lift chairs manufactured here by January 1, 2017.

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 and national average rate.

## **CURRENT AND FUTURE ITEMS OF IMPACT - Continued**

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. Pontotoc County has met the first seven years of the commitment with three years remaining. Ashley Furniture recently committed to make the payments for the last three years of Pontotoc County's pledge, thus adding \$100,000 annually back to the County's General Fund Budget.

Pontotoc County has also recently completed a major bond refinancing transaction which will result in a major reduction of interest paid on the bonds throughout their remaining life.

## **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 Ricky Ferguson, Pontotoc County Chancery Clerk office at P. O. Box 209, Pontotoc, Mississippi.

## **FINANCIAL STATEMENTS**

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**Pontotoc County, Mississippi**  
**Statement of Net Position**  
**September 30, 2015**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 5,016,711	\$ 727,079	\$ 5,743,790
Property tax receivable	6,241,972	-	6,241,972
Accounts receivable, (net of allowance for uncollectibles of \$1,032,300)	-	92,073	92,073
Fines receivable, (net of allowance for uncollectibles of \$1,562,846)	273,883	-	273,883
Intergovernmental receivables	481,182	13,120	494,302
Other receivables	259,205	118,281	377,486
Internal balances	91,596	(91,596)	-
Prepaid items	376,861	5,084	381,945
Capital lease receivable	3,679,750	-	3,679,750
Ad valorem tax fee in-lieu receivable, net	6,992,044	-	6,992,044
Capital assets:			
Land and construction in progress	3,935,474	-	3,935,474
Other capital assets, net	59,042,505	250,541	59,293,046
<b>Total Assets</b>	<b>\$ 86,391,183</b>	<b>\$ 1,114,582</b>	<b>\$ 87,505,765</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	\$ 1,571,670	\$ 174,630	\$ 1,746,300
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,571,670</b>	<b>\$ 174,630</b>	<b>\$ 1,746,300</b>
<b>LIABILITIES</b>			
Claims payable	\$ 209,645	\$ 18,702	\$ 228,347
Intergovernmental payables	445,319	-	445,319
Accrued interest payable	112,164	-	112,164
Unearned revenue	-	97,696	97,696
Amounts held in custody for others	65,530	-	65,530
Long-term liabilities			
Net pension liability	8,903,824	989,313	9,893,137
Due within one year:			
Capital debt	692,178	68,785	760,963
Non-capital debt	645,362	-	645,362
Due in more than one year:			
Capital debt	4,473,562	95,680	4,569,242
Non-capital debt	8,585,305	-	8,585,305
<b>Total Liabilities</b>	<b>\$ 24,132,889</b>	<b>\$ 1,270,176</b>	<b>\$ 25,403,065</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	\$ 162,018	\$ 18,002	\$ 180,020
Property tax for future reporting period	6,241,972	-	6,241,972
Lease receivable interest	723,835	-	723,835
<b>Total Deferred Inflows of Resources</b>	<b>\$ 7,127,825</b>	<b>\$ 18,002</b>	<b>\$ 7,145,827</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 57,812,239	\$ 86,076	\$ 57,898,315
Restricted for:			
Expendable:			
Debt service	452,813	-	452,813
Public safety	892,144	-	892,144
Public works	2,592,759	-	2,592,759
Culture and recreation	83,361	-	83,361
Economic development	984,195	-	984,195
Capital projects	1,500	-	1,500
Unrestricted	(6,116,872)	(85,042)	(6,201,914)
<b>Total Net Position</b>	<b>\$ 56,702,139</b>	<b>\$ 1,034</b>	<b>\$ 56,703,173</b>

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

**Pontotoc County, Mississippi**  
**Statement of Activities**  
**For the Year Ended September 30, 2015**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,890,921	\$ 632,607	\$ 36,301	\$ -	\$ (3,222,013)		\$ (3,222,013)
Public safety	3,516,863	576,855	275,046	-	(2,664,962)		(2,664,962)
Public works	7,195,982	17,787	2,380,276	470,105	(4,327,814)		(4,327,814)
Health and welfare	280,596	-	95,664	-	(184,932)		(184,932)
Culture and recreation	419,414	-	-	-	(419,414)		(419,414)
Conservation of natural resources	94,931	-	-	-	(94,931)		(94,931)
Economic development and assistance	223,458	-	2,500	1,471,175	1,250,217		1,250,217
Interest on long-term debt	671,012	-	-	-	(671,012)		(671,012)
Pension expense	1,001,616	-	-	-	(1,001,616)		(1,001,616)
Total Governmental Activities	\$ 17,294,793	\$ 1,227,249	\$ 2,789,787	\$ 1,941,280	\$ (11,336,477)		\$ (11,336,477)
Business-type activities:							
Solid waste	\$ 1,256,740	\$ 1,285,655	\$ -	\$ -	\$ -	\$ 28,915	\$ 28,915
Total Business-type Activities	\$ 1,256,740	\$ 1,285,655	\$ -	\$ -	\$ -	\$ 28,915	\$ 28,915
Total Primary Government	\$ 18,551,533	\$ 2,512,904	\$ 2,789,787	\$ 1,941,280	\$ (11,336,477)	\$ 28,915	\$ (11,307,562)
General revenues:							
Taxes:							
Property taxes					\$ 8,541,653	\$ -	\$ 8,541,653
Road & bridge privilege taxes					376,260	-	376,260
Ad Valorem tax fee-in-lieu revenue					571,645	-	571,645
Grants and contributions not restricted to specific programs					593,907	-	593,907
Unrestricted investment income					141,646	1,917	143,563
Gain (Loss) on sale of assets					-	(6,287)	(6,287)
Miscellaneous					160,135	7,294	167,429
Total General Revenues					\$ 10,385,246	\$ 2,924	\$ 10,388,170
Changes in Net Position					\$ (951,231)	\$ 31,839	\$ (919,392)
Net Position - Beginning, as previously reported					\$ 64,720,536	\$ 754,435	\$ 65,474,971
Prior period adjustment					(7,067,166)	(785,240)	(7,852,406)
Net Position - Beginning, as restated					\$ 57,653,370	\$ (30,805)	\$ 57,622,565
Net Position - Ending					\$ 56,702,139	\$ 1,034	\$ 56,703,173

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

**Pontotoc County, Mississippi**  
**Balance Sheet - Governmental Funds**  
**September 30, 2015**

Exhibit 3

	Major Funds					
	General Fund	County Wide Road Maintenance Fund	Industrial Development Fund	Pride Mobility Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 651,634	\$ 608,364	\$ 91,919	\$ 2,209	\$ 3,662,585	\$ 5,016,711
Property tax receivable	3,585,722	1,293,000	-	-	1,363,250	6,241,972
Fines receivable (net of allowance for uncollectibles of \$ 1,562,846)	273,883	-	-	-	-	273,883
Capital lease receivable			1,141,841	2,206,209	331,700	3,679,750
Intergovernmental receivables	422,664	53,958	-	-	4,560	481,182
Other receivables	10,893	-	-	-	39,344	50,237
Due from other funds	23,094	95,319	-	-	123,295	241,708
Advances to other funds	252,861	-	-	-	56,386	309,247
Prepaid items	351,487	-	-	-	25,374	376,861
<b>Total Assets</b>	<b>\$ 5,572,238</b>	<b>\$ 2,050,641</b>	<b>\$ 1,233,760</b>	<b>\$ 2,208,418</b>	<b>\$ 5,606,494</b>	<b>\$ 16,671,551</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Claims payable	\$ 187,894	\$ 867	\$ -	\$ -	\$ 20,884	\$ 209,645
Intergovernmental payables	431,976	13,343	-	-	-	445,319
Due to other funds	218,614	-	-	-	-	218,614
Advances from other funds	17,429	-	-	-	14,348	31,777
Amounts held in custody for others	65,530	-	-	-	-	65,530
<b>Total Liabilities</b>	<b>\$ 921,443</b>	<b>\$ 14,210</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,232</b>	<b>\$ 970,885</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenue - property taxes	3,585,722	1,293,000	-	-	1,363,250	6,241,972
Unavailable revenue - capital leases	-	-	1,141,841	2,206,209	331,700	3,679,750
Unavailable revenue - fines	273,883	-	-	-	-	273,883
Unavailable revenue - Intergovernmental receivable	88,732	-	-	-	-	88,732
<b>Total Deferred Inflows of Resources</b>	<b>\$ 3,948,337</b>	<b>\$ 1,293,000</b>	<b>\$ 1,141,841</b>	<b>\$ 2,206,209</b>	<b>\$ 1,694,950</b>	<b>\$ 10,284,337</b>
<b>Fund balances:</b>						
Nonspendable:						
Advances	\$ 252,861	\$ -	\$ -	\$ -	\$ -	\$ 252,861
Restricted for:						
Public Safety	-	-	-	-	899,209	899,209
Public Works	-	743,431	-	-	1,849,327	2,592,758
Culture and recreation	-	-	-	-	83,361	83,361
Economic development and assistance	-	-	91,919	2,209	554,607	648,735
Debt service	-	-	-	-	557,912	557,912
Capital projects	-	-	-	-	1,500	1,500
Unassigned	449,597	-	-	-	(69,604)	379,993
<b>Total Fund Balances</b>	<b>\$ 702,458</b>	<b>\$ 743,431</b>	<b>\$ 91,919</b>	<b>\$ 2,209</b>	<b>\$ 3,876,312</b>	<b>\$ 5,416,329</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,572,238</b>	<b>\$ 2,050,641</b>	<b>\$ 1,233,760</b>	<b>\$ 2,208,418</b>	<b>\$ 5,606,494</b>	<b>\$ 16,671,551</b>

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

**Pontotoc County, Mississippi**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**September 30, 2015**

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 5,416,329
Amounts reported for governmental services in the statement of net position (Exhibit 1) 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 \$ 44,030,509.	62,977,979
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Fine receivables, net	273,883
Accrued receivables that are not available to pay for current expenditures and therefore are not recorded in the funds.	
Ad valorem tax fee in-lieu receivable, net	6,992,044
Intergovernmental receivables	88,732
Capital leases are not available to pay for current period expenditures and, therefore are deferred in the funds.	2,955,915
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	(14,396,407)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,903,824)
Accrued interest payable is not due and payable in the current period and, therefore, is not recorded in the funds.	(112,164)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,571,670
Deferred inflows of resources related to pensions	(162,018)
Total net position - governmental activities (Exhibit 1)	\$ <u><u>56,702,139</u></u>

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

**Pontotoc County, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2015**

Exhibit 4

	Major Funds				Other	Total
	General	County Wide	Industrial	Pride Mobility	Governmental	Governmental
	Fund	Road Maintenance	Development Fund	Fund	Funds	Funds
		Fund				
REVENUES						
Property taxes	\$ 5,348,302	\$ 1,612,840	\$ -	\$ -	\$ 1,580,510	\$ 8,541,652
Road and bridge privilege taxes	-	-	-	-	376,260	376,260
Licenses, commissions and other revenue	315,910	-	-	-	15,346	331,256
Fines and forfeitures	332,860	-	-	-	9,035	341,895
Intergovernmental revenues	1,002,046	2,496,538	-	-	1,007,940	4,506,524
Charges for services	154,360	-	-	-	416,359	570,719
In lieu tax - Toyota	-	-	-	-	1,023,584	1,023,584
Interest income	6,443	1,485	39,006	68,970	25,743	141,647
Miscellaneous revenues	107,650	-	-	-	833,445	941,095
Total Revenues	\$ 7,267,571	\$ 4,110,863	\$ 39,006	\$ 68,970	\$ 5,288,222	\$ 16,774,632
EXPENDITURES						
Current:						
General government	\$ 3,818,435	\$ -	\$ -	\$ -	\$ -	\$ 3,818,435
Public safety	3,383,403	-	-	-	492,406	3,875,809
Public works	3,563	2,110,162	-	-	3,120,801	5,234,526
Health and welfare	270,036	-	-	-	-	270,036
Culture and recreation	198,552	-	-	-	166,233	364,785
Conservation of natural resources	94,911	-	-	-	20	94,931
Economic development and assistance	40,451	-	-	65,716	1,461,579	1,567,746
Debt service:						
Principal	101,691	-	50,237	86,533	1,042,665	1,281,126
Interest	27,778	-	21,389	74,850	535,971	659,988
Total Expenditures	\$ 7,938,820	\$ 2,110,162	\$ 71,626	\$ 227,099	\$ 6,819,675	\$ 17,167,382
Excess of Revenues over						
(under) Expenditures	\$ (671,249)	\$ 2,000,701	\$ (32,620)	\$ (158,129)	\$ (1,531,453)	\$ (392,750)

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

**Pontotoc County, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2015**  
**- Continued -**

Exhibit 4

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	County Wide Road Maintenance Fund	Industrial Development Fund	Pride Mobility Fund		
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	\$ 181,736	\$ -	\$ -	\$ 300,000	\$ 152,000	\$ 633,736
Proceeds from sale of capital assets	3,400	-	-	-	3,500	6,900
Insurance Proceeds	12,139	-	-	-	-	12,139
Transfers in	-	-	-	20,000	2,419,083	2,439,083
Transfers out	(20,000)	(1,800,000)	-	-	(619,083)	(2,439,083)
Lease principal payments	-	-	57,025	102,798	49,726	209,549
Total Other Financing Sources and Uses	\$ 177,275	\$ (1,800,000)	\$ 57,025	\$ 422,798	\$ 2,005,226	\$ 862,324
Net Changes in Fund Balances	\$ (493,974)	\$ 200,701	\$ 24,405	\$ 264,669	\$ 473,773	\$ 469,574
Fund Balances - Beginning	\$ 1,196,432	\$ 542,730	\$ 67,514	\$ (262,460)	\$ 3,402,539	\$ 4,946,755
Fund Balances - Ending	\$ 702,458	\$ 743,431	\$ 91,919	\$ 2,209	\$ 3,876,312	\$ 5,416,329

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

**Pontotoc County, Mississippi**  
**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, 2015**

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 469,574
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 position differs from the change in fund balances by the amount that capital outlays of \$2,067,038 was exceeded by depreciation of \$3,036,445 in the current period.	(969,407)
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 position differs from the change in fund balances by the amount of the net gain of \$5,800 and the proceeds for the sale of \$6,900.	(1,100)
Fine revenue recognized on the modified accrual basis in the funds during the current year is decreased because recognition is required on the Statement of Activities using the full-accrual basis of accounting.	(16,622)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Ad Valorem tax fee-in-lieu	(451,939)
T.V.A. in lieu of tax	18,451
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 position differs from change in fund balances by the principal collections on the capital leases.	(209,549)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,281,126 exceeded debt proceeds of \$633,736.	647,390
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 position differs from the change in fund balances by the following item:	
Accrued interest	2,883
Amortization of premium on bond	649
Amortization of discount on bond	(14,555)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,001,616)
Recording of contributions made before the measurement date	427,968
Recording of contributions made subsequent to the measurement date	146,642
Change in net position of governmental activities (Exhibit 2)	\$ <u>(951,231)</u>

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

**Pontotoc County, Mississippi**  
**Statement of Net Position - Proprietary Fund**  
**September 30, 2015**

Exhibit 5

	Business - Type Activities Enterprise Fund Solid Waste Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 727,079
Intergovernmental receivables	13,120
Accounts receivable, (net of allowance for uncollectibles of \$1,032,300)	92,073
Other receivables	98,545
Advances to other funds	19,736
Prepaid Items	5,084
Total Current Assets	\$ 955,637
Noncurrent assets:	
Capital assets:	
Other capital assets, net	\$ 250,541
Total Noncurrent Assets	\$ 250,541
Total Assets	\$ 1,206,178
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	\$ 174,630
Total Deferred Outflows of Resources	\$ 174,630
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	\$ 18,702
Due to other funds	23,094
Advances from other funds	68,502
Unearned revenue	97,696
Current portions of long-term capital-related debt:	
Capital leases payable	68,785
Total Current Liabilities	\$ 276,779
Noncurrent liabilities:	
Net Pension Liability	\$ 989,313
Capital related debt:	
Capital leases payable	95,680
Total Noncurrent Liabilities	1,084,993
Total Liabilities	\$ 1,361,772
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	\$ 18,002
Total Deferred Inflows of Resources	\$ 18,002
<b>NET POSITION</b>	
Net investment in capital assets	\$ 86,076
Unrestricted	(85,042)
Total Net Position	\$ 1,034

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



**Pontotoc County, Mississippi**  
**Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund**  
**For the Year Ended September 30, 2015**

Exhibit 6

	Business-type Activities Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 1,285,655
Total Operating Revenues	\$ 1,285,655
Operating Expenses	
Personal services	\$ 556,346
Contractual services	307,283
Materials and supplies	168,361
Depreciation expense	88,730
Indirect administrative cost	23,094
Pension expense	111,291
Total Operating Expenses	\$ 1,255,105
Operating Income (Loss)	\$ 30,550
Nonoperating Revenues (Expenses)	
Interest income	\$ 1,917
Gain (loss) on sale of capital assets	(6,287)
Interest expense	(1,635)
Other income (expense)	7,294
Net Nonoperating Revenue (Expenses)	\$ 1,289
Changes in Net Position	\$ 31,839
Net Position - Beginning, as previously reported	\$ 754,435
Prior period adjustment	(785,240)
Net Position - Beginning, as restated	\$ (30,805)
Net Position - Ending	\$ 1,034

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

**Pontotoc County, Mississippi**  
**Statement of Cash Flows - Proprietary Fund**  
**For the Year Ended September 30, 2015**

Exhibit 7

	Business-type Activities Enterprise Funds
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,276,370
Payments to suppliers	(538,301)
Payments to/for employees	(625,276)
Net Cash Provided (Used) by Operating Activities	\$ 112,793
Cash Flows From Noncapital Financing Activities	
Cash paid to other Other funds:	
Interfund loan repaid	\$ (22,576)
Other receipts	7,294
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (15,282)
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	\$ 129,604
Acquisition of capital assets	(129,605)
Principal paid on long-term debt	(51,742)
Interest expense	(1,635)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (53,378)
Cash Flows From Investing Activities	
Interest and dividends on investments	\$ 1,917
Net Cash Provided (Used) by Investing Activities	\$ 1,917
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 46,050
Cash and Cash Equivalents at Beginning of Year	681,029
Cash and Cash Equivalents at End of Year	\$ 727,079
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 30,550
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 88,730
Provision for uncollectible accounts	65,679
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivable	(7,333)
(Increase) decrease in accounts receivable	(66,444)
(Increase) decrease in other receivables	(5,638)
(Increase) decrease in prepaid items	(5,084)
(Increase) decrease in deferred outflows - pensions	(158,751)
Increase (decrease) in claims payable	(62,657)
Increase (decrease) in unearned revenue	4,451
Increase (decrease) in net pension liability	188,194
Increase (decrease) in interfund payables	23,094
Increase (decrease) in deferred inflows - pensions	18,002
Total Adjustments	\$ 82,243
Net Cash Provided (Used) by Operating Activities	\$ 112,793

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

**Pontotoc County, Mississippi**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2015**

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 562,546
Intergovernmental receivables	<u>230,283</u>
Total Assets	<u>\$ 792,829</u>
LIABILITIES	
Intergovernmental payables	\$ 564,125
Advances from other funds	<u>228,704</u>
Total Liabilities	<u>\$ 792,829</u>

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

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**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(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 these component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Pontotoc Airport Commission
- Hurricane 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 Position 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 Position 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, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies – Continued.

B. Basis of Presentation – Continued.

The Statement of Net Position 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 activities 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 a separate accounting entity. 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. Non-major funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Fund 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 revenues and expenses of the Proprietary Fund are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connections 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, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies – Continued.

C. Measurement Focus and Basis of Accounting – Continued.

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.

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

Industrial Development Fund – This fund is a debt service fund used to account for rents and the payment of long-term debt principal and interest associated with a specific economic development project.

Pride Mobility Fund – This fund is a debt service fund used to account for rents and the payment of long-term debt principal and interest associated with a specific economic development project.

The county reports the following major Proprietary 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 expenditures 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 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.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies – Continued.

C. Measurement Focus and Basis of Accounting – Continued.

**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 2012 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.

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.



**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies – Continued.

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 the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Prepaid Items.

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

J. 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.

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.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies – Continued.

J. Capital Assets – continued.

	Capitalization Thresholds	Estimated Useful Life
Land	\$ -	N/A
Infrastructure	\$ -	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 will correspond with the amounts for the asset classification, as listed above.

K. Deferred Outflow/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows related to pensions – This amount represents the County’s proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 12 for additional details.

In addition to liabilities, the statement of financial position will sometimes report a section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines, capital leases, intergovernmental receivable – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows related to pensions – This amount represents the County’s proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 12 for additional details.

L. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension expense, information about the fiduciary net position of the Public Employees’ Retirement System of Mississippi (PERS) and additions to/deductions from PERS’ fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies – Continued.

M. 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 Position.

N. Equity Classifications

Government-wide Financial Statements:

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

Net investment in capital assets - 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 position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

When an expense 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 expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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.

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.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies – Continued.

N. Equity Classifications - continued

*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.

*Fund Balance Flow Assumption* - 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.

O. 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 collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

P. 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, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies – Continued.

Q. 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.

R. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments as follows:

Implementation of GASB 68 and 71:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Net pension liability	\$ (7,210,073)
Deferred outflows - contributions made during fiscal year 2014	<u>142,907</u>
Total prior period adjustments	<u><u>\$ (7,067,166)</u></u>

Exhibit 6 - Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.

<u>Explanation</u>	<u>Amount</u>
Net pension liability	\$ (801,119)
Deferred outflows - contributions made during fiscal year 2014	<u>15,879</u>
Total prior period adjustments	<u><u>\$ (785,240)</u></u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2015, was \$6,306,336, and the bank balance was \$7,916,508. The collateral for public entities' deposits in financial institutions are 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, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	1 Solid Waste	\$ 23,094
County Wide Rd. Maintenance Fund	2 General Fund	95,319
Other Governmental Funds	2 General Fund	123,295
Total		<u>\$ 241,708</u>

1. This receivable represents indirect cost the county incurred for the Solid Waste Fund.
2. These receivables represent the tax revenue collected but not settled until October 2015.

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 Fund	1 Solid Waste	\$ 68,502
General Fund	2 Agency Fund	170,011
General Fund	3 Other Governmental Funds	14,348
Solid Waste	2 Agency Fund	19,736
Other Governmental Funds	3 General Fund	17,429
Other Governmental Funds	2 Agency Fund	38,957
Total		<u><u>328,983</u></u>

1. This advance represents fiscal year 2012, 2013 and 2014 indirect administrative costs the county incurred for the Solid Waste Fund that has not been paid to the General Fund.
2. This advance represents a loan to the payroll clearing fund that has not been repaid.
3. This advance represents posting errors that have not yet been corrected

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Pride Mobility Fund	General Fund	\$ 20,000
Other Governmental Funds	County Wide District Rd Fund	1,800,000
Other Governmental Funds	Other Governmental Funds	619,083
Total		<u>\$ 2,439,083</u>

The principle purpose of interfund transfers was to provide for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2015 consisted of the following:

Governmental Activities:

Description	Amount
Legislative Tax Credit	\$ 158,807
FAA Grant	87,668
T.V.A. In Lieu of Tax	88,732
Mississippi Department of Corrections	27,600
Motor Vehicle Fuel Tax	49,048
Motor Vehicle License Tax	33,182
Other	36,145
Total Governmental Activities	<u>\$ 481,182</u>

Business-type Activities:

Garbage Collection Fees	\$ 13,120
Total Business-type Activities	<u>\$ 13,120</u>

(6) 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, TMMS 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 payment 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.

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2015, is as follows:

Ad Valorem Tax Fee-In-Lieu Receivable	<u>\$ 6,992,044</u>
September 30,	
2016	\$ 833,933
2017	833,333
2018	833,333
2019	833,333
2020	833,333
Due in six to ten years	4,166,667
Due in eleven to thirteen years	<u>833,335</u>
Total	\$ 9,167,267
Less: Discount to present value	<u>2,175,223</u>
Net receivable	<u>\$ 6,992,044</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.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments*	Balance Sept. 30, 2015
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,101,671	\$ 1,344,288	\$ -	\$ -	\$ 3,445,959
Construction in progress	-	489,515	-	-	489,515
Total non-depreciable capital assets	\$ 2,101,671	\$ 1,833,803	\$ -	\$ -	\$ 3,935,474
<u>Depreciable capital assets:</u>					
Infrastructure	\$ 73,209,307	\$ -	\$ -	\$ -	\$ 73,209,307
Buildings	16,099,109	-	-	-	16,099,109
Improvements other than buildings	2,716,631	-	-	-	2,716,631
Mobile equipment	8,714,767	51,499	11,000	1 253,211	9,008,477
Furniture and equipment	1,356,923	-	-	-	1,356,923
Leased property under capital leases	754,042	181,736	-	1 (253,211)	682,567
Total depreciable capital assets	\$102,850,779	\$ 233,235	\$ 11,000	\$ -	\$ 103,073,014
<u>Less accumulated depreciation for:</u>					
Infrastructure	\$ 25,995,461	\$ 2,412,528	\$ -	\$ -	\$ 28,407,989
Buildings	5,074,124	277,641	-	-	5,351,765
Improvements other than buildings	1,019,322	109,369	-	-	1,128,691
Mobile equipment	7,585,070	117,347	9,900	1 56,691	7,749,208
Furniture and equipment	1,145,544	32,194	-	-	1,177,738
Leased property under capital leases	184,443	87,366	-	1 (56,691)	215,118
Total accumulated depreciation	\$ 41,003,964	\$ 3,036,445	\$ 9,900	\$ -	\$ 44,030,509
Total depreciable capital assets, net	\$ 61,846,815	\$ (2,803,210)	\$ 1,100	\$ -	\$ 59,042,505
Governmental activities capital assets, net	\$ 63,948,486	\$ (969,407)	\$ 1,100	\$ -	\$ 62,977,979

Adjustments:

1 - To reclassify paid off leased assets.



**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(7) Capital Assets – Continued.

Business-type activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments*	Balance Sept. 30, 2015
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 894,037	\$ -	\$ 62,863	\$ -	\$ 831,174
Leased property under capital leases	128,829	129,605	-	-	258,434
Total depreciable capital assets	\$ 1,022,866	\$ 129,605	\$ 62,863	\$ -	\$ 1,089,608
<u>Less accumulated depreciation for:</u>					
Mobile equipment	\$ 760,535	\$ 42,212	\$ 56,576	\$ -	\$ 746,171
Leased property under capital leases	46,378	46,518	-	-	92,896
Total accumulated depreciation	\$ 806,913	\$ 88,730	\$ 56,576	\$ -	\$ 839,067
Total depreciable capital assets, net	\$ 215,953	\$ 40,875	\$ 6,287	\$ -	\$ 250,541
Business-type activities capital assets, net	\$ 215,953	\$ 40,875	\$ 6,287	\$ -	\$ 250,541

\*Adjustments are for reclassifications of paid off leased assets.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 306,544
Public safety	82,070
Public works	2,577,004
Health and Welfare	10,560
Culture and Recreation	60,267
Total governmental activities depreciation expense	\$ 3,036,445
Business-type activities:	
Solid waste	\$ 88,730
Total business-type activities depreciation expense	\$ 88,730

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(8) 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.

(9) 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, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2015:

Southern Motion, Inc.

On August 6, 2010, Pontotoc County entered into a capital lease with Southern Motion, Inc. for the lease of certain real property, building and all other improvements located at 201 Henry Southern Drive, Pontotoc, MS. The capital lease agreement stipulated that the lessee, Southern Motion, Inc., would pay approximately \$5,350 per month in lease payments commencing November 10, 2010 for a period of 10 years and ending on February 1, 2020. At any time after the first seven years of the lease term, Southern Motion, Inc. may exercise the purchase option. The purchase price shall be determined as the principal balance of indebtedness. Upon the expiration or termination of this lease, lessee will vacate the premises and give lessor possession of the property unless the lessee, by notifying the lessor in writing thereof, elects to purchase the premises for the sum of all then outstanding base rent payable for the remainder of the term or may re-negotiate lease.

KC Integrated Services, LLC

On September 14, 2012, Pontotoc County entered into a capital lease with KC Integrated Services, LLC to lease certain real property, building and all other improvements located at 206 West Main Street, Sherman, MS. The capital lease agreement stipulated that the lessee, KC Integrated Services, LLC, would pay approximately \$7,985 per month in lease payments commencing October 1, 2012 for a period of 15 years. The lessee shall have the option to terminate the lease agreement at the end of the first five years, with a termination fee of \$550,001. Other termination options are available. The lessee shall have the option to purchase the property at the end of the first ten years for \$436,240. At the end of the fifteen years, the lessee shall have the option to purchase the property for \$1.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(10) Capital Leases – Continued

Pride Mobility Product Corporation

On September 3, 2014, Pontotoc County entered into a capital lease with Pride Mobility Product Corporation to lease certain real property, building and all other improvements located at 380 Maggie Drive, Pontotoc, MS. The capital lease agreement stipulated that the lessee, Pride Mobility Product Corporation, would pay approximately \$13,211 per month in lease payments commencing October 1, 2014 for a period of 15 years. The lessee shall have the option to terminate the lease agreement at the end of the first five years, with a termination fee of \$1,097,010. Other termination options are available. At the end of the fifteen years, the lessee shall have the option to purchase the property for \$1.

<u>Classes of Property</u>	<u>Amount</u>
Land	\$ 569,600
Building	2,951,168
Total	<u>\$ 3,520,768</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2015, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 200,406	\$ 96,947
2017	221,918	96,631
2018	230,255	88,295
2019	238,952	79,597
2020	247,894	70,654
2021-2025	1,044,319	238,125
2026-2029	<u>772,171</u>	<u>53,586</u>
Total	<u>\$ 2,955,915</u>	<u>\$ 723,835</u>

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(10) Capital Leases - Continued.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 682,567	258,434
Total	\$ 682,567	258,434
Less: Accumulated depreciation	215,118	92,896
Leased Property Under Capital Leases	<u>\$ 467,449</u>	<u>165,538</u>

The following is a schedule by years of the total payments due as of September 30, 2015:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 132,550	\$ 4,957	\$ 68,785	\$ 2,740
2017	104,536	2,989	32,069	1,903
2018	81,583	1,381	32,831	1,142
2019	<u>35,081</u>	<u>255</u>	<u>30,780</u>	<u>362</u>
Total	<u>\$ 353,750</u>	<u>\$ 9,582</u>	<u>\$ 164,465</u>	<u>\$ 6,147</u>

(11) 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.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(12) Defined Benefit Pension Plan.

*General Information about the 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.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2015, 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 employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ended September 30, 2015, 2014, and 2013 were \$638,456, \$632,865 and \$599,565 respectively, equal to the required contributions for each year.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2015, the County reported a liability of \$9,893,137 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was 0.064 percent, which was a decrease of 0.002% from its proportion measured as of June 30, 2014.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(12) Defined Benefit Pension Plan – Continued.

For the year ended September 30, 2015, the County recognized pension expense of \$1,112,907. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 152,250	\$ -
Net difference between projected and actual earnings on pension plan investments	578,854	-
Changes of assumptions	852,260	-
Changes in the County's proportion and differences between the County's contributions and proportionate share of contributions	-	180,020
County contributions subsequent to the measurement date	162,936	-
Total	\$ 1,746,300	\$ 180,020

\$162,936 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2016	\$ 447,835
2017	447,835
2018	362,961
2019	144,713

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(12) Defined Benefit Pension Plan – Continued.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using the log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U. S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	<u>100.00 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 13,040,061	\$ 9,893,137	\$ 7,281,778

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(13) Long-term Debt.

Debt outstanding as of September 30, 2015, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Pontotoc County G.O. Bonds, Series 2005	\$ 2,735,000	Various	09/2025
Pontotoc County G.O. Bonds, Series 2007	6,755,000	Various	07/2026
Pontotoc County G.O. Road and Bridge Bonds, Series 2015	152,000	1.90	07/2020
Total General Obligation Bonds	<u>9,642,000</u>		
B. Capital Leases:			
3 Ford F-150	11,686	3.00	08/2016
Backhoe	26,126	2.20	05/2017
Pickup	7,171	1.72	06/2016
Tractor	8,388	1.72	07/2016
Dump Truck	27,593	1.81	07/2017
Dump Truck	101,881	1.74	09/2018
8 Ford F-150's	170,905	1.74	07/2019
Total Capital Leases	<u>\$ 353,750</u>		
C. Other Loans:			
Building Loan (Child Services Building)	\$ 440,000	0.00	09/2025
Certificates of Participation (Extension Building)	383,000	3.99	11/2018
Economic Development Loan (Southern Motion)	290,342	Various	11/2020
Equipment Loan – 6 fire trucks	435,691	3.19	04/2020
TVA Loan*	554,084	3.00	06/2030
Building Loan (Fair Ex Building)	112,217	3.50	11/2026
CAPS Loan	630,645	3.00	01/2027
Economic Development Loan (Pride Mobility)	1,410,135	Various	10/2029
Economic Development Loan (Pride Mobility)	289,332	3.00	02/2030
Total Other Loans	<u>\$ 4,545,446</u>		
Business-type Activities:			
A. Capital Leases:			
Garbage Truck	\$ 40,053	1.64	09/2016
Garbage Truck	124,412	2.35	08/2019
Total Capital Leases	<u>\$ 164,465</u>		

\*The TVA Loan is secured by the land purchased with the loan proceeds.



**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(13) Long-term Debt – Continued.

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

Governmental Activities:

Year Ending September	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2016	\$ 719,267	\$ 462,893	\$ 485,723	\$ 137,835
2017	759,823	431,137	521,274	128,769
2018	795,389	397,360	540,143	111,091
2019	830,966	360,663	404,781	92,704
2020	871,555	322,219	311,446	80,898
2021 – 2025	4,880,000	961,300	1,374,316	276,379
2026 – 2030	785,000	43,174	907,763	70,857
Total	<u>\$ 9,642,000</u>	<u>\$ 2,978,746</u>	<u>\$ 4,545,446</u>	<u>\$ 898,533</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, 2015, the amount of outstanding debt was equal to 2.44% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
General obligation bonds	\$ 10,155,000	\$ 152,000	\$ 665,000	\$ 9,642,000	\$ 719,267
Capital leases	373,540	181,736	201,526	353,750	132,550
Other loans	4,660,046	300,000	414,600	4,545,446	485,723
Less deferred amount:					
Premium on issuance	649	-	649	-	-
Discount on issuance	(159,344)	-	(14,555)	(144,789)	-
Total	<u>\$ 15,029,891</u>	<u>\$ 633,736</u>	<u>\$ 1,267,220</u>	<u>\$ 14,396,407</u>	<u>\$ 1,337,540</u>

Business-type Activities:

Capital leases	\$ 86,603	\$ 129,604	\$ 51,742	\$ 164,465	\$ 68,785
Total	<u>\$ 86,603</u>	<u>\$ 129,604</u>	<u>\$ 51,742</u>	<u>\$ 164,465</u>	<u>\$ 68,785</u>

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(14) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2015:

Fund	Amount
KC Integrated Fund	\$ 68,823
Jail Construction Fund	781

(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. In fiscal year 2012, the bonds were refinanced. The bonds were reissued for \$4,235,000. 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 \$3,090,000 refunding bonds balance at September 30, 2015 was \$522,210.

(16) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(6,116,872) includes the effect of deferred inflows/outflows of resources related to pension. A portion of the deferred outflow of resources related to pension in the amount of \$146,642 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. The \$1,425,028 balance of deferred outflow of resources related to pensions at September 30, 2015, will be recognized in pension expense over the next four years. The \$162,018 balance of the deferred inflow of resources related to pension at September 30, 2015, will be recognized in pension expense over the next three years.

The business-type activities' unrestricted net position amount of \$(85,042) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$16,294 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. The \$158,336 balance of the deferred outflow of resources related to pensions at September 30, 2015, will be recognized in pension expense over the next four years. The \$18,002 balance of the deferred inflow of resources related to pension at September 30, 2015, will be recognized in pension expense over the next three years.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(17) Joint Venture.

The county participates in the following joint ventures:

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 \$ 189,020 to the library in fiscal year 2015. Complete financial statements for the regional library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, Mississippi 38863.

Pontotoc County is a participant with the City of Pontotoc in a joint venture, authorized by Section 17-13-1, Miss. Code Ann. (1972), to operate the Lyle Hansberger Sportsplex. The Sportsplex was created for the use and benefit of all residents of Pontotoc County, Mississippi. The City and County jointly share annual costs of operation and maintenance of the Sportsplex.

Pontotoc County is a participant in a joint venture with the counties of Union and Chickasaw and the municipalities of New Albany, Pontotoc, Houston, New Houlka, Ecu and Algoma, as the GM&O Rails to Trails Recreational District of North Mississippi (GM&O), as authorized by Section 55-25-1, Miss. Code Ann. (1972) which governs the Tanglefoot Trail, which is a multi-use recreational trail for hikers, equestrians, walkers, runners, skaters, cyclists, and other such uses. Pontotoc County appoints one member of the nine-member Board of GM&O and agreed to pledge on an annual basis, for a period of 15 years, an amount equal to ¼ of a mill from their General fund, or from any other available source as determined by the County, to GM&O for the purpose of servicing debt. Any funds over the amount needed for debt will be retained by GM&O for operating and maintenance expenses. Three Rivers Planning and Development District is the administrator and fiscal agent of the program. The County contributed \$30,000 to this venture in fiscal year 2015.

(18) 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 contributed \$40,000 for support of the district in fiscal year 2015.

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 contributed \$31,850 for support of the commission in fiscal year 2015.

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 \$954,578 by tax levy as an appropriation for maintenance and support of the college in fiscal year 2015.

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 2015.

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2015

(18) Jointly Governed Organizations - continued.

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 contributed \$44,873 for support of the district in fiscal year 2015.

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 contributed \$ 5,000 for support of Lift, Inc. in fiscal year 2015.

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 2015.

(19) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Pontotoc County evaluated the activity of the county through February 27, 2018, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2015, the county issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
10/29/2015	3.00 - 3.50%	6,170,000	GO Refunding Bonds	In lieu tax
2/26/2016	2.60%	213,920	Capital lease	Ad valorem taxes
3/4/2016	2.40%	33,500	Capital lease	Ad valorem taxes
4/1/2016	2.40%	129,457	Capital lease	Solid waste fees
8/2/2016	2.40%	25,206	Capital lease	Ad valorem taxes
11/22/2016	2.00 - 2.50%	2,595,000	GO Refunding Bonds	Ad valorem taxes
3/15/2017	2.80%	146,450	Capital lease	Ad valorem taxes
8/21/2017	2.49%	144,025	Capital lease	Ad valorem taxes
12/22/2017	2.89%	48,157	Capital Lease	Ad valorem taxes

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**Pontotoc County, Mississippi**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
For the Year Ended September 30, 2015  
Unaudited

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,869,359	\$ 5,101,930	\$ 5,100,391	\$ (1,539)
Licenses, commissions and other revenue	887,000	313,917	313,917	-
Fines and forfeitures	27,600	330,291	333,078	2,787
Intergovernmental revenues	1,049,495	1,916,487	1,917,631	1,144
Charges for services	215,000	180,700	180,700	-
Interest income	5,000	5,885	6,409	524
Miscellaneous revenues	319,500	316,342	316,342	-
Total Revenues	<u>\$ 7,372,954</u>	<u>\$ 8,165,552</u>	<u>\$ 8,168,468</u>	<u>\$ 2,916</u>
<b>EXPENDITURES</b>				
Current:				
General government	\$ 4,165,647	\$ 4,745,295	\$ 4,745,295	\$ -
Public safety	2,781,463	3,132,823	3,132,654	169
Public works	100,000	4,463	4,463	-
Health and welfare	325,975	308,335	308,335	-
Culture and recreation	214,325	204,478	204,478	-
Conservation of natural resources	119,415	101,051	101,051	-
Economic development and assistance	40,630	40,000	40,451	(451)
Debt service:				
Principal	524,400	101,691	101,691	-
Interest	59,185	27,778	27,778	-
Total Expenditures	<u>\$ 8,331,040</u>	<u>\$ 8,665,914</u>	<u>\$ 8,666,196</u>	<u>\$ (282)</u>
Excess of Revenues over (under) Expenditures	<u>\$ (958,086)</u>	<u>\$ (500,362)</u>	<u>\$ (497,728)</u>	<u>\$ 2,634</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	\$ 140,000	\$ 300,000	\$ 300,000	\$ -
Proceeds from sale of capital assets	-	-	3,400	3,400
Insurance proceeds	-	12,139	12,139	-
Transfers in	305,000	-	-	-
Transfers out	(50)	(968,599)	(968,599)	-
Total Other Financing Sources and Uses	<u>\$ 444,950</u>	<u>\$ (656,460)</u>	<u>\$ (653,060)</u>	<u>\$ 3,400</u>
Net Change in Fund Balance	\$ (513,136)	\$ (1,156,822)	\$ (1,150,788)	\$ 6,034
Fund Balances - Beginning	248,465	754,536	939,035	184,499
Fund Balances - Ending	<u>\$ (264,671)</u>	<u>\$ (402,286)</u>	<u>\$ (211,753)</u>	<u>\$ 190,533</u>

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

**Pontotoc County, Mississippi**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**County Wide Road Maintenance Fund**  
For the Year Ended September 30, 2015  
Unaudited

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,552,500	\$ 1,544,555	\$ 1,544,555	\$ -
Intergovernmental revenues	50,000	411,868	411,868	-
Interest income	500	1,302	1,485	183
Miscellaneous revenues	-	184,295	184,295	-
Total Revenues	<u>\$ 1,603,000</u>	<u>\$ 2,142,020</u>	<u>\$ 2,142,203</u>	<u>\$ 183</u>
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 493,000	\$ 501,740	\$ 501,740	\$ -
Total Expenditures	<u>\$ 493,000</u>	<u>\$ 501,740</u>	<u>\$ 501,740</u>	<u>\$ -</u>
Excess of Revenues over (under) Expenditures	<u>\$ 1,110,000</u>	<u>\$ 1,640,280</u>	<u>\$ 1,640,463</u>	<u>\$ 183</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Assets	\$ 15,000	\$ 237,910	\$ 237,910	\$ -
Transfers out	<u>(1,900,000)</u>	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>\$ (1,885,000)</u>	<u>\$ (1,562,090)</u>	<u>\$ (1,562,090)</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ (775,000)	\$ 78,190	\$ 78,373	\$ 183
Fund Balances - Beginning	(190,000)	548,952	529,991	(18,961)
Fund Balances - Ending	<u><u>\$ (965,000)</u></u>	<u><u>\$ 627,142</u></u>	<u><u>\$ 608,364</u></u>	<u><u>\$ (18,778)</u></u>

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



**Pontotoc County, Mississippi**  
**Schedule of the County's Proportionate Share of the Net Pension Liability**  
**Last 10 Fiscal Years\***  
**For the Year Ended September 30, 2015**  
**Unaudited**

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.064%	0.066%
County's proportionate share of the net pension liability (asset)	\$ 9,893,138	8,011,192
County's covered-employee payroll	\$ 4,053,685	4,018,172
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	244.05%	199.37%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

**Pontotoc County, Mississippi**  
**Schedule of County Contributions**  
**Last 10 Fiscal Years\***  
**For the Year Ended September 30, 2015**  
**Unaudited**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 638,456	632,865
Contributions in relation to the contractually required contribution	<u>638,456</u>	<u>632,865</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
County's covered-employee payroll	\$ 4,053,685	4,018,172
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended September 30, 2015  
Unaudited

Notes to the Required Supplementary Information

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:

**PONTOTOC COUNTY, MISSISSIPPI**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended September 30, 2015  
Unaudited

Notes to the Required Supplementary Information – Continued.

C. Budget/GAAP Reconciliation – Continued.

	Governmental Fund Types	
	General Fund	County Wide Maintenance
Net Change in Fund Balance-Budget (Cash Basis)	\$ (1,150,788)	\$ 78,373
Increase (Decrease)		
Net adjustments for revenue accruals	137,840	82,807
Net adjustments for expenditure accruals	<u>518,974</u>	<u>39,521</u>
Net Change in Fund Balance-GAAP Basis	\$ <u>(493,974)</u>	\$ <u>200,701</u>

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

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2015:

<u>Fund</u>	<u>Excess</u>
General Fund	\$ 282

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

Pension Schedules

A. Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

## **SUPPLEMENTAL INFORMATION**

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**PONTOTOC COUNTY, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended September 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Numbe	Agency or Pass-through Number	Federal Expenditure
<b>U.S. Department of Agriculture</b>			
Passed-through Mississippi Office of the State Treasurer			
Forest Service Schools and Roads Cluster			
Schools and Roads – Grants to States	10.665	N/A	\$ 2,507
Total Forest Services Schools and Roads Cluster			\$ 2,507
<b>U.S. Department of Justice</b>			
Passed-through Mississippi Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13LB1581	\$ 4,136
<b>U.S. Department of Labor:</b>			
Passed-through Mississippi Department of Employment Security			
Workforce Investment Act Cluster:			
WIA/WIOA Adult Program	17.258 *	200-13-05	\$ 478,686
WIA/WIOA Adult Program	17.258 *	200-14-04	2,551,192
WIA/WIOA Youth Activities	17.259 *	200-13-05	430,491
WIA/WIOA Youth Activities	17.259 *	200-14-04	1,627,673
WIA/WIOA Dislocated Workers Formula Grants	17.278 *	200-13-05	(62,180)
WIA/WIOA Dislocated Workers Formula Grants	17.278 *	200-14-04	1,422,982
Total Workforce Investment Act Cluster			\$ 6,448,844
WIOA National Dislocated Worker Grants/WIA National			
Emergency (NEG):			
Dislocated Worker Training (DWT) NEG	17.277 *	DWT NEG 200-12-01	\$ (10,656)
Tornado NEG	17.277 *	Tornado NEG 200-13-01	3,111,404
Total WIOA Dislocated Worker Grants/WIA National			
Emergency Grants			\$ 3,100,748
Total U.S. Department of Labor			\$ 9,549,592
<b>U.S. Department of Transportation:</b>			
<b>Federal Highway Administration</b>			
Passed-through Mississippi Office of State Aid Road Construction			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	BR NBIS 81 B	\$ 17,280
Total Highway Planning and Construction Cluster			\$ 17,280
<b>U. S. Department of Homeland Security:</b>			
Passed-through Mississippi Emergency Management			
Emergency Management Performance Grants	97.042	EMPG FY 2015	\$ 31,175
Total U.S. Department of Homeland Security			\$ 31,175
<b>Total Expenditures of Federal Awards</b>			\$ 9,604,690

\* Denotes major federal award program

**PONTOTOC COUNTY, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended September 30, 2015

-Continued-

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note A - Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Pontotoc County, MS (County) under programs of the federal government for the year ended September 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the activities or operations of the County, it is not intended to and does not present the financial positions, the changes in financial positions and cash flows of the County.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the applicable cost principles contained in the OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR part 225) or Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent unexpended advances which have been returned to the grantor.

The County did not have any federal loan programs during the year ended September 30, 2015.

**Note B - Workforce Investment Act Cluster and WIA National Emergency Grants**

Total expenditures of federal awards include \$9,549,592 passed-through an agency fund to the Three Rivers Planning and Development District during the year September 30, 2015.



## **OTHER INFORMATION**

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**Pontotoc County, Mississippi**  
**Schedule of Surety Bonds For County Officials**  
**For the Year Ended September 30, 2015**  
**"UNAUDITED"**

NAME	POSITION	COMPANY	BOND
WAYNE STOKES	SUPERVISOR DISTRICT 1	RIDGECREST INSURANCE	\$100,000.00
WAYNE TUTOR	SUPERVISOR DISTRICT 2	RIDGECREST INSURANCE	\$100,000.00
DUANE TUTOR	SUPERVISOR DISTRICT 3	RIDGECREST INSURANCE	\$100,000.00
ERNIE WRIGHT	SUPERVISOR DISTRICT 4	RIDGECREST INSURANCE	\$100,000.00
DENNIS CORDER	SUPERVISOR DISTRICT 5	RIDGECREST INSURANCE	\$100,000.00
GARY MOORMAN	COUNTY ADMINISTRATOR	RIDGECREST INSURANCE	\$100,000.00
GARY MOORMAN	CHANCERY CLERK	RIDGECREST INSURANCE	\$100,000.00
KAYE BOYD	PURCHASING CLERK	RIDGECREST INSURANCE	\$75,000.00
ALLEN WOODY MORRIS	ASSISTANT PURCHASING CLERK	RIDGECREST INSURANCE	\$50,000.00
REGINA FOSTER	ASSISTANT PURCHASE CLERK	RIDGECREST INSURANCE	\$75,000.00
HENRY D HITCHCOCK	RECEIVING CLERK	RIDGECREST INSURANCE	\$10,000.00
RICKY WILLIAMS	RECEIVING CLERK	RIDGECREST INSURANCE	\$50,000.00
TIM HOLCOMB	RECEIVING CLERK	RIDGECREST INSURANCE	\$75,000.00
JOHN GOLDEN	RECEIVING CLERK	RIDGECREST INSURANCE	\$50,000.00
REGINA FOSTER	RECEIVING CLERK	RIDGECREST INSURANCE	\$75,000.00
DONNIE McCARTY	RECEIVING CLERK	RIDGECREST INSURANCE	\$50,000.00
GARY ROBERTSON	RECEIVING CLERK	RIDGECREST INSURANCE	\$50,000.00
GARY MOORMAN	INVENTORY CONTROL CLERK	RIDGECREST INSURANCE	\$75,000.00
LD GILLESPIE	CONSTABLE	RIDGECREST INSURANCE	\$50,000.00
EARLY McKINNEY	CONSTABLE	RIDGECREST INSURANCE	\$50,000.00
LEO MASK	SHERIFF	RIDGECREST INSURANCE	\$100,000.00
MELINDA NOWICKI	CIRCUIT CLERK	RIDGECREST INSURANCE	\$100,000.00
CINDY DIDONNA	DEPUTY CIRCUIT CLERK	RIDGECREST INSURANCE	\$50,000.00
LISA D FOWLER	DEPUTY CIRCUIT CLERK	RIDGECREST INSURANCE	\$50,000.00
GAIL JAGGERS	DEPUTY CIRCUIT CLERK	RIDGECREST INSURANCE	\$50,000.00
DAVID HALL	JUSTICE COURT JUDGE	RIDGECREST INSURANCE	\$50,000.00
SCOTTIE HARRISON	JUSTICE COURT JUDGE	RIDGECREST INSURANCE	\$50,000.00
KATHY ROBINSON	JUSTICE COURT CLERK	RIDGECREST INSURANCE	\$50,000.00
DEBORAH SPRATT	DEPUTY JUSTICE COURT CLERK	RIDGECREST INSURANCE	\$50,000.00
GLENDA HITT	DEPUTY JUSTICE COURT CLERK	RIDGECREST INSURANCE	\$50,000.00
LAUREN MUNN	DEPUTY JUSTICE COURT CLERK	RIDGECREST INSURANCE	\$25,000.00
BRYAN WOOD	AG CENTER DIRECTOR	RIDGECREST INSURANCE	\$50,000.00
GARY MOORMAN	CHANCERY COURT CLERK	RIDGECREST INSURANCE	\$25,000.00
CATHY PURDON	DEPUTY CHANCERY CLERK	RIDGECREST INSURANCE	\$50,000.00
BRENDA FARR	DEPUTY CHANCERY CLERK	RIDGECREST INSURANCE	\$50,000.00
ANGELA SHETTLES	DEPUTY CHANCERY CLERK	RIDGECREST INSURANCE	\$50,000.00
MAGGIE PATRICK	DEPUTY CHANCERY CLERK	RIDGECREST INSURANCE	\$50,000.00
CHISHON WASHINGTON	DEPUTY CHANCERY CLERK	RIDGECREST INSURANCE	\$50,000.00
VAN McWHIRTER	TAX ASSESSOR/COLLECTOR	RIDGECREST INSURANCE	\$100,000.00
MARTHA ZINN	DEPUTY TAX COLLECTOR	RIDGECREST INSURANCE	\$50,000.00
TROY WARD	DEPUTY TAX COLLECTOR	RIDGECREST INSURANCE	\$50,000.00
MYRTLE ELIZABETH SLEDGE	DEPUTY TAX COLLECTOR	RIDGECREST INSURANCE	\$50,000.00
KRISTY BOLIN	DEPUTY TAX COLLECTOR	RIDGECREST INSURANCE	\$50,000.00
LORNA WRIGHT	DEPUTY TAX COLLECTOR	RIDGECREST INSURANCE	\$50,000.00
JENNIFER BROWN	DEPUTY TAX COLLECTOR	RIDGECREST INSURANCE	\$50,000.00
PAUL HEATH	DEPUTY TAX ASSESSOR	RIDGECREST INSURANCE	\$50,000.00

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## **SPECIAL REPORTS**

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# **M. M. WINKLER & ASSOCIATES, PLLC**

## ***Certified Public Accountants***

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

Members of the Board of Supervisors  
Pontotoc County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 27, 2018. 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 reporting entity that include the financial data for its component units. This report is qualified on the governmental activities, the business-type activities and the Solid Waste Fund because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. Additionally, our report includes a qualified opinion on the General Fund because the County did not maintain adequate subsidiary records documenting the valuation of the fines receivable, net and the aging of these fines receivable. Except for the limitation related to the qualified opinion on the General Fund, 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**

In planning and performing our audit of the financial statements, we considered Pontotoc County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pontotoc County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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.

**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***

- Continued -

We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2015-001, 2015-002, 2015-003, 2015-004, 2015-007, 2015-008, 2015-009, 2015-010, 2015-011, 2015-012 and 2015-013 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 2015-005 and 2015-006 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Pontotoc County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules, and the Limited Internal Control and Compliance Review Management Report dated February 27, 2018, included within this document.

**Pontotoc County's Response to Finding**

Pontotoc County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Pontotoc County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

**Purpose of this Report**

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

*M. M. Winkler & Associates, PLLC*

February 27, 2018



# **M. M. WINKLER & ASSOCIATES, PLLC**

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

Members of the Board of Supervisors  
Pontotoc County, Mississippi

#### **Report on Compliance for Each Major Federal Program**

We have audited Pontotoc County, Mississippi's compliance 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 each of its major federal programs for the year ended September 30, 2015. Pontotoc County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Pontotoc County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Pontotoc County, Mississippi's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, Pontotoc County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

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

- Continued -

**Report on Internal Control Over Compliance**

Management of Pontotoc County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Pontotoc County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. According this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*M. M. Winkler & Associates, PLLC*

February 27, 2018

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### **INDEPENDENT ACCOUNTANT'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, 2015. 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:

Board of Supervisors.

1. Purchases over \$5,000 but not over \$50,000 require two quote bids and documentation of the lowest and best bid.

#### Finding

Section 31-7-13(b), Miss. Code Ann. (1972) specifies that purchases which involve an expenditure of more than \$5,000 but not more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids provided at least two competitive written bids are obtained. As reported in the prior years' audit reports, deficiencies were noted during the course of our audit that the County did not obtain quotes for the purchase of radios.

Failure to obtain at least two competitive written bid quotes for purchases over \$5,000 but not over \$50,000 could result in the loss of public funds.

#### Recommendation

The Board of Supervisors should ensure that purchases over \$5,000 but not over \$50,000 be made from the lowest and best bidder of at least two competitive written bid quotes.

### Board of Supervisors' Response

Changes have been made and policies restated to all department heads regarding purchasing procedures. The department heads will work with the purchasing clerk to insure all policies and procedures are properly followed.

#### Inventory Control Clerk.

2. 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, and reconciling capital asset amounts added to inventory to invoices to ensure proper accounting. As reported in the prior years' audit reports and during audit test work, it was noted that several capital assets had not been placed on the fixed asset ledger and they were added during the audit.

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.

#### Inventory Control Clerk's Response

New procedures have been put into place to address these concerns. The inventory control system is being monitored and will function as described.

#### Accounts Payable Clerk.

3. The Accounts Payable Clerk shall be responsible for ensuring payments are supported by appropriate documentation.

#### Finding

Section 31-7-103, Miss. Code Ann. (1972) requires the County to maintain the central purchasing system in compliance with requirements prescribed by the State Department of Audit. As reported in the prior years' audit reports, deficiencies in the central purchasing system of the county were noted. During the audit of expenditures, we noted four purchases were paid from quotes, not actual invoices and one intergovernmental purchase was not approved in the minutes.

Failure to follow state purchasing laws and guidelines could result in the loss of public funds.

#### Recommendation

The Accounts Payable Clerk should ensure that payments are supported by appropriate documentation, and not prepare any payments that exceed the approved purchase order amount or that do not have an invoice.

#### Accounts Payable Clerk's Response

These findings have been addressed and measures have been put into place so that they will not be repeated.

In our opinion, because of the noncompliance referred to in the preceding paragraph, Pontotoc County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

Pontotoc County's purchasing system was not in compliance with state laws governing central purchasing for fiscal year 2015.

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.

*M. M. Winkler & Associates, PLLC*

February 27, 2018

**PONTOTOC COUNTY, MISSISSIPPI**  
**Schedule of Purchases Not Made From the Lowest Bidder**  
For the Year Ended September 30, 2015

Schedule 1

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

**PONTOTOC COUNTY, MISSISSIPPI**

**Schedule of Emergency Purchases**

For the Year Ended September 30, 2015

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
7/7/2015	Tank cars for culverts	\$ 11,270	Smith Diversified Sales	Road Repair

**PONTOTOC COUNTY, MISSISSIPPI**  
**Schedule of Purchases Made Noncompetitively From a Sole Source**  
For the Year Ended September 30, 2015

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.



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### 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, 2015, 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 February 27, 2018, 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 instances of noncompliance with state laws and regulations and areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Required documentation should be filed with PERS when hiring PER 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. As reported in the prior years' audit reports, during our test of internal control related to the payroll expenditures, we noted that the County employed service retirees. 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 Board of Supervisors will require all retirees to file PERS Form 4B if re-employed by Pontotoc County and will retain a copy in the personnel file of the employee. Pontotoc County will also monitor earnings to ensure compliance.

## 2. Controls over repayment of interfund advances should be strengthened.

### Finding

As reported in the prior years' audit reports, the County has interfund loans outstanding that are over a year old. The interfund loans from special revenue funds and the enterprise fund totaled \$76,122 as of September 30, 2015. These advances relate to an ad valorem tax posting error, loan for insurance costs, a loan for CDBG grant fees, and a balance left from an interfund sale of equipment. 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 these old interfund advances are repaid.

### Board of Supervisors' Response

Pontotoc County has complied with this request. Funds to be credited were established after payroll clearing was reconciled in 2016. Funds are currently being credited to account for the needed adjustment.

## 3. Pontotoc County should strengthen passwords.

### Finding

As reported in the prior years' audit reports, during our review, we noted that Pontotoc County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that would not meet these standards, thereby creating unnecessary risk for Pontotoc County information assets.

### Recommendation

We recommend that Pontotoc County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

### Board of Supervisors' Response

Passwords must now be a minimum of eight characters in length and use three of four categories of characters.

4. Pontotoc County should expire all individual's passwords on a periodic basis.

Finding

As reported in the prior years' audit reports, a review of Pontotoc County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by Pontotoc County.

Recommendation

We recommend that a policy be implemented to ensure passwords are expired on a regular basis. In addition, Pontotoc County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

Passwords currently expire every six months. The last six passwords may not be reused.

5. Pontotoc County should create a rotation of backups offsite.

Finding

As reported in the prior years' audit reports, Pontotoc County is creating backups, but they are not taking the backups offsite. Without off-site storage of backup files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Pontotoc County implement a plan to backup systems containing financial related data on a consistent basis to ensure that all backup files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the Pontotoc County Disaster Recovery Plan. With close proximity of a bank, it would be convenient and safe to place the backup media in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that media be kept at the bank for several days (e.g., one week), in case of a disaster situation that required recovery and problems in reading recovery media were experienced.

Board of Supervisors' Response

Pontotoc County has a disaster recovery plan now in place that addresses this issue. AS400 "High Availability" is now operational and fully addresses these concerns.

6. Pontotoc County should install network banners on its internal network.

Finding

As reported in the prior years' audit reports, Pontotoc County's system did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannerings assists in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator.

Recommendation

We recommend that Pontotoc County implement appropriate network banners on its internal network.

Board of Supervisors' Response

This issue has been corrected.

7. Pontotoc County should improve its server room environment management.

Finding

As reported in the prior years' audit reports, Pontotoc County's computer room is located in an open office in the Pontotoc County courthouse in the corner of the room. The room is secure in that there are people working during business hours in and around the computer. However, the computer is in the open and has the potential of being accessed by unauthorized personnel. The room does have air conditioning, but does not have monitoring equipment for fire, heat and other conditions that can have an adverse effect on electronic equipment.

Recommendation

We recommend that Pontotoc County establish an area specifically for computerized equipment that can be locked and provision it with environmental control and monitoring equipment for heat, humidity, and other conditions that might affect computerized equipment. This equipment should also have the capability to notify the proper personnel when these conditions vary outside of preset ranges.

Board of Supervisors' Response

After consulting with Three Rivers Planning and Development District, Inc. the current location was reconfigured and cleaned up, and the security/environmental issues have been corrected.

8. Actual expenditures exceeded final budget amounts.

Finding

Section 19-11-17, Miss. Code Ann. (1972), prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisors. Actual expenditures exceeded budgeted amount by \$282 in the General Fund. Failure to limit actual expenditures to budgeted amounts, could result in the County having insufficient funds to pay expenditures.

Recommendation

The Board of Supervisors should not make expenditures in excess of budgeted amounts.

Board of Supervisors' Response

Leadership is now in place to monitor and oversee the day to day budget expenditures. All efforts are being made to address budget issues and correct any findings immediately. The Board of Supervisors are receiving and reviewing monthly county expenditures and budget balances.

Chancery Clerk.

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. As reported in prior years' audit reports, during the audit procedures of the Chancery Clerk fee journal, it was noted that bank reconciliations were not completed. Also, it was noted that some of the amounts on the fee journal did not agree with the Annual Financial Report. When the auditor recalculated the total fee income and total expenses it was estimated the Chancery Clerk did not exceed the salary cap for 2015. Failure to properly maintain the fee journal and complete the Annual Financial Report could result in misappropriation 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 and the amounts used to prepare the Annual Financial Report agree to the fee journal.

Chancery Clerk's Response:

The current Chancery Clerk is properly maintaining all records, reconciling them monthly, and ensuring they agree with the fee journal.

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.

*M. M. Winkler & Associates, PLLC*

February 27, 2018

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**PONTOTOC COUNTY, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2015

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	Qualified
Countywide Road Maintenance Fund	Unmodified
Industrial Development Fund	Unmodified
Pride Mobility Fund	Unmodified
Solid Waste Fund	Qualified
Aggregate remaining fund information	Unmodified
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 weaknesses identified? No
  - b. Significant deficiencies identified? None reported
5. Type of auditor's report issued on compliance for major federal programs: Unmodified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section \_\_.510(a) of OMB Circular A-133? No
7. Identification of major program:

Workforce Investment Act Cluster CFDA# 17.258, 17.259, 17.278  
WIOA National Dislocated Worker Grants/WIA National Emergency  
CFDA# 17.277
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, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2015

Section 2: Financial Statement Findings

Board of Supervisors.

2015-001.        Financial data for component units not included in financial statements. *(Material Weakness)*

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. As reported in the prior years' audit reports, the financial statements do not include the financial data of 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

Pontotoc County will comply when economically feasible.

2015-002.        Liability for postemployment benefits not recorded and note disclosure for postemployment benefits not reported. *(Material Weakness)*

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. As reported in the prior years' audit reports, 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.

Board of Supervisors' Response

Pontotoc County will comply as soon as economically feasible.

**PONTOTOC COUNTY, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2015

2015-003.        Internal controls over payroll should be strengthened. (*Material Weakness*)

Finding

An effective system of internal control over the County payroll should include proper segregation of duties and proper authorization and documentation of payroll and salary increases. As reported in the prior years' audit reports, inadequate controls exist in the payroll functions:

- a) The employment and salaries of all county employees are not properly authorized in the Board of Supervisors' minutes and filed in the individual personnel files.
- b) The Payroll Clerk has access to print cartridge used to print checks with electronic signature and prints the checks without any oversight.
- c) The county was not properly preparing the quarterly payroll Form 941. This required filling three amended Form 941 X's for three of the four quarters of calendar year 2015.
- d) The county did not make timely payroll deposits as required by law.

Without proper controls, unauthorized and/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 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) Changes to the EDP master payroll file should be documented.
- e) The hiring and termination of all county employees should be documented in the Board of Supervisors' minute books. The Payroll Clerk should ensure that all payroll amounts are accurate and supported by adequate documentation.
- f) State withholding income tax returns that were filed and paid using incorrect amounts should be amended with the Mississippi Department of Revenue, to receive a refund of overpayments.
- g) Reasons for long outstanding checks should be investigated and documented in a timely manner.
- h) The Payroll Clerk should not be able to print payroll checks with electronic signatures without adequate oversight and controls.
- i) The County should develop procedures to ensure the quarterly payroll Forms 941 are properly completed.
- j) The County should ensure the payroll deposits are made timely.

Board of Supervisors' / Chancery Clerk's / Payroll Clerk's Response

Payroll has been addressed, reconciled, and adjustments made. State withholding has been refunded to the County for overpayments. Functions have been implemented to address all other concerns. All 941 forms for years affected have been recalculated and submitted and accepted by the IRS.

**PONTOTOC COUNTY, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended September 30, 2015

2015-004.        Controls over fines receivable should be strengthened. *(Material Weakness)*

Finding

An effective system of internal controls over Justice Court and Circuit Court fines receivable should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance and should ensure that fines receivables are properly aged in order to estimate the collectability of these fines receivable and include only fines due to the County. As reported in prior years' audit reports, management did not maintain and preserve adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court and Circuit Court fines receivable and the aging of fines receivable at September 30, 2015. Failure to establish control procedures over aging of Justice Court and Circuit Court fines receivable could result in erroneous amounts being reported in the financial statements.

Recommendation

The Board of Supervisors should ensure that control procedures are in place to allow for the preparation and preservation of a detailed aged fines receivable schedule to properly report the fines receivable due to the County at net realizable value in the financial statements.

Board of Supervisors' Response

This issue has been resolved.

2015-005.        Pontotoc County should establish and test a disaster recovery process. *(Significant Deficiency)*

Finding

As reported in the prior years' audit reports, Pontotoc County ("the County") has not established a disaster recovery process. As a result, Pontotoc County cannot fully ensure that the County's information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. Control Objectives for Information and Related Technology (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

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Pontotoc County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that back-up files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Pontotoc County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that Pontotoc County develop and implement a disaster recovery plan, documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

Pontotoc County consulted with Three Rivers Planning and Development District, Inc. to develop a plan and a means to test its response and sufficiency. This issue has now been addressed

2015-006.      Pontotoc County should implement a formal information security policy.    *(Significant Deficiency)*

Finding

As reported in the prior years' audit reports, Pontotoc County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity / Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for Pontotoc County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that Pontotoc County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by county supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

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Board of Supervisors' Response

Pontotoc County will address this issue where feasible.

Chancery Clerk.

2015-007      Financial Statement Preparation *(Material Weakness)*

Finding

As reported in prior year's audit report, the county relies on its outside auditors in assisting in the preparation of external financial statements and related disclosures. Under U.S. Generally Accepted Auditing Standards, outside auditors cannot be considered part of the entity's internal control structure and, because of the limitations of the county's small accounting staff, the design of the internal control structure does not otherwise provide procedures to prevent or detect a material misstatement in the external financial statements.

Internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements caused by error or fraud within a timely period.

Recommendation

The design of internal controls over financial reporting is a decision that must be evaluated from a cost-benefit perspective. Management should assess the cost benefits of improving internal controls over financial reporting.

Response

Management has assessed the costs and benefits of improving controls over financial statement preparation and determined that it is not cost beneficial to provide additional controls over financial reporting.

2015-008.      Segregation of duties in Chancery Clerk's office should be strengthened. *(Material Weakness)*

Finding

An effective system of internal control should include the separation of duties over the accounting for the collections, recording and disbursement of cash. As reported in the prior years' audit reports, the Chancery Clerk's office does not have an adequate separation of duties over the accounting functions. Observations showed that one deputy clerk in the Chancery Clerk office receipted money, then wrote up deposits and took them to the bank as well. Another deputy clerk receipted money and was in charge of reconciliations of bank accounts. However, bank reconciliations were not completed in a timely manner. 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, recording and reconciling functions.

Chancery Clerk's Response

Separation of duties has been achieved. All reconciliations are up to date and will remain so. These functions are now being completed by three different individuals plus the Chancery Clerk.

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2015-009.        Internal controls over accounting procedures should be strengthened. *(Material Weakness)*

Finding

An effective system of internal control over the accounting procedures of the county should include timely bank reconciliations. As reported in the prior years' audit reports, we noted during audit test work, that bank reconciliations were not prepared in a timely manner.

The failure to reconcile the bank accounts in a timely manner could result in the loss of public funds.

Recommendation

The Chancery Clerk should implement procedures to ensure bank accounts are reconciled in a timely manner.

Chancery Clerk's Response

This issue has been corrected.

2015-010.        Internal controls over payment of claims should be strengthened. *(Material Weakness)*

Finding

An effective system of internal control over payment of claims should include the Chancery Clerk ensuring that claims payable personnel are 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 the claim for payment. As reported in the prior years' audit reports, we noted deficiencies in the payment of claims. In 2015, four claims were paid by copy of quotes, not an actual invoice and one intergovernmental purchase was not approved in the minutes. Also, it was noted that the claims payable clerk prints checks with electronic signature without any oversight.

Failure to implement adequate controls over claims payments could lead to the County paying for items not received by the County or not approved by the Board of Supervisors or a loss of public funds.

Recommendation

The Chancery Clerk should ensure that claims paid are paid from the correct fund and department and are matched to vendor invoices and/or Board approval to ensure the correct amount is being paid. The claims payable clerk should not be able to print claim checks with electronic signatures without adequate oversight and controls.

Chancery Clerk's Response

The current Chancery Clerk is reviewing all claims and ensuring that all processes and procedures are followed.

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Sheriff.

2015-011. Internal controls over accounting functions in the Sheriff's department should be strengthened.  
(Material Weakness)

Finding

As reported in prior years' audit reports, an effective system of internal control should include an adequate separation of duties and the maintenance and reconciliation of records documenting cash collections and settlements. Controls were inadequate over cash. The following deficiencies were noted during our audit:

- a) The duties of the bookkeeper included preparing deposits, posting receipts and settlements to the cash journal, preparing settlements, disbursing funds and reconciling the cash journal to the bank statements.
- b) Collections were not deposited on a weekly basis and no deposits were made in one month even though receipts were written and posted to the cash journal.
- c) All settlement amounts and check numbers were not maintained in the cash journal.
- d) The cash journal was not properly reconciled to the bank statements.
- e) All collections had not been settled to the proper entities.
- f) Audit procedures performed identified a significant cash shortage.

The failure to implement adequate controls over the collection, recording and disbursement functions could result in inaccurate reporting, incomplete settlements and increase the possibility of the loss or misappropriation of public fund.

Recommendation

The Sheriff should ensure that there is an adequate separation of duties in the collecting, recording and settlement functions. The Sheriff should ensure that funds are deposited on a daily basis, cash journals are properly maintained and reconciled monthly to the bank statements, and that funds are properly settled to the county.

Sheriff's Response

This issue has now been corrected.

Inventory Control Clerk.

2015-012. Internal controls over capital assets should be strengthened. (Material Weakness)

Finding

An effective system of internal controls over capital assets should include marking all assets as property of the county, and reconciling capital asset amounts added to inventory to invoices to ensure proper accounting. As reported in the prior year's audit report and during audit test work, it was noted that several capital assets had not been placed on the fixed asset ledger and they were added during the audit.

A lack of 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.

Inventory Control Clerk's Response

Inventory control has been addressed at all levels. Inventory has been reviewed, adjusted and is currently updated.



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Justice Court Clerk.

2015-013. Segregation of duties in Justice Court Clerk's office should be strengthened. (Material Weakness)

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. As reported in the prior three years' audit reports, 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 banks statements; and writes check 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 days' collections.

Failure to implement adequate internal controls over collections, receipts and disbursements 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's Office or that there is external oversight over the operations of the Justice Court Clerk's Office. The Justice Court Clerk 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

Pontotoc County will correct this deficiency.

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.

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