

PONTOTOC COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2016

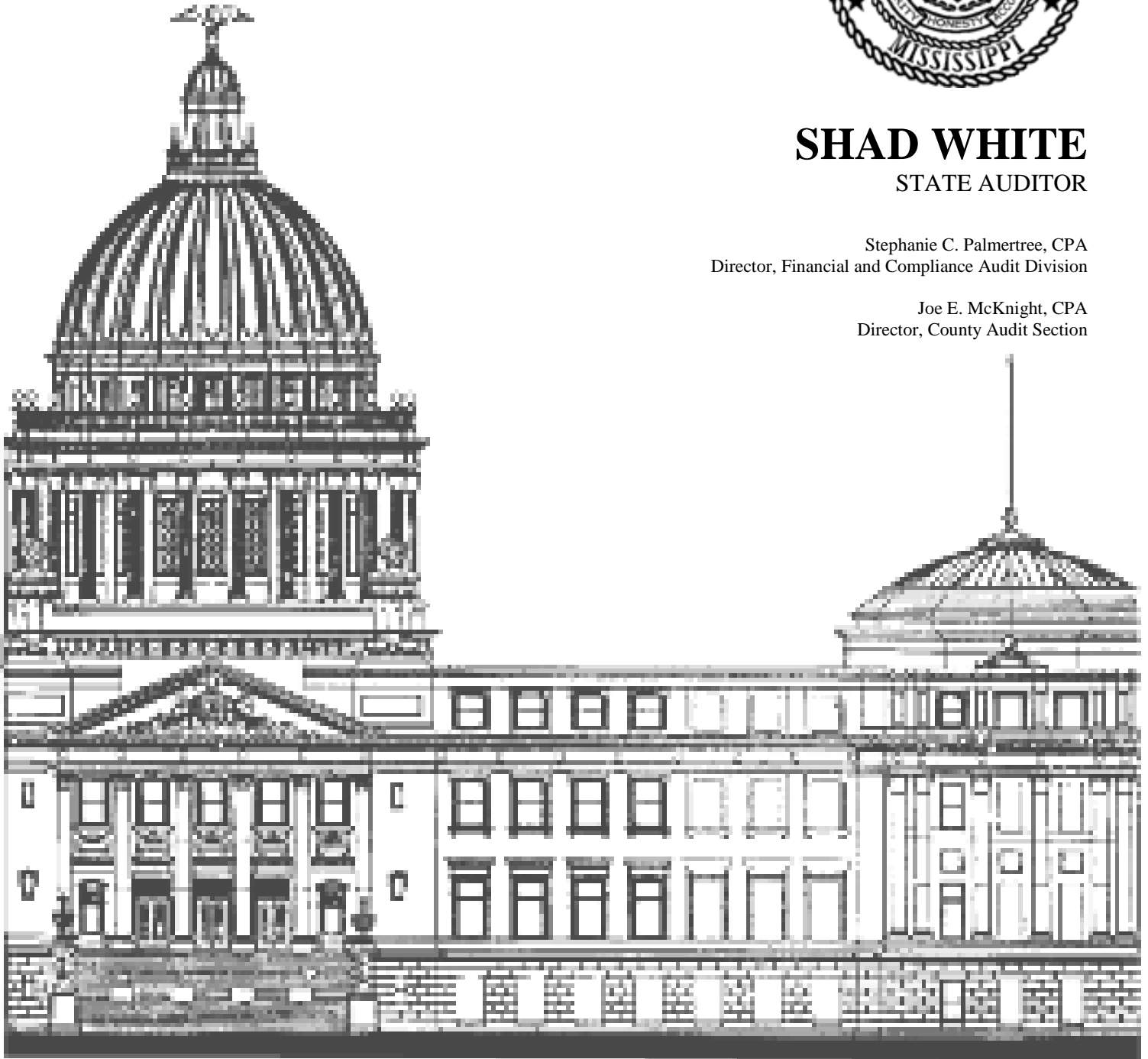


SHAD WHITE

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

November 7, 2018

Members of the Board of Supervisors
Pontotoc County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2016 financial and compliance audit report for Pontotoc County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", is written over a horizontal line.

Shad White
State Auditor

PONTOTOC COUNTY

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PONTOTOC COUNTY

FINANCIAL SECTION

PONTOTOC COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

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, 2016, 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. 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 Unit

The financial statements do not include financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit 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 unit. 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 unit has not been determined.

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 Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Pontotoc County, Mississippi, as of September 30, 2016, 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, 2016, 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.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund, the County-wide Road Maintenance Fund, the Pride Mobility Fund and the aggregate remaining fund information of Pontotoc County, Mississippi, as of September 30, 2016, 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.

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 Schedule and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying 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 basic 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 November 7, 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 7, 2018

PONTOTOC COUNTY

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PONTOTOC COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

PONTOTOC COUNTY

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PONTOTOC COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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, 2016. 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 \$56,703,173 in FY 2015 to \$54,323,443 which represents a decrease of 4.20%. The county's cash balance increased from \$5,743,790 in FY 2015 to \$6,960,431, which represents an increase of 21.18%.

The county had \$15,579,195 in total revenues. Property tax revenues account for \$8,849,019 or 56.80% of total revenues. Program specific revenues in the form of charges for services and grants accounted for \$4,574,668 or 29.36% of total revenues.

The county had \$17,965,625 in total expenses which represents a decrease of \$592,195 or 3.19% from the prior fiscal year. Expenses in the amount of \$4,574,668 were offset by program specific revenues in the form of charges for services and grants. With general revenues in the amount of \$11,004,527, a net decrease in net position occurred of \$2,379,730.

Among major funds, the General Fund had \$7,721,093 in revenues and \$8,115,002 in expenditures. The General Fund's fund balance decreased \$148,210 from the prior year.

Among major funds, the County Wide Road Maintenance Fund had \$2,705,405 in revenues and \$664,781 in expenditures. The County Wide Road Maintenance Fund balance increased \$15,624 over the prior year.

FINANCIAL HIGHLIGHTS - Continued

Among major funds, the Pride Mobility Fund had \$58,719 in revenues and \$145,319 in expenditures. The Pride Mobility Fund balance increased \$13,218 over the prior year.

The Solid Waste Fund had \$1,316,420 in revenues and \$1,301,402 in expenses and \$16,853 loss on sale of capital assets. The Solid Waste Fund net position decreased by \$262.

Net investment in capital assets, decreased by \$2,133,400. This decrease is mainly due to the depreciation of assets.

Total long-term debt decreased by \$789,051.

Net pension liability increased \$1,896,108.

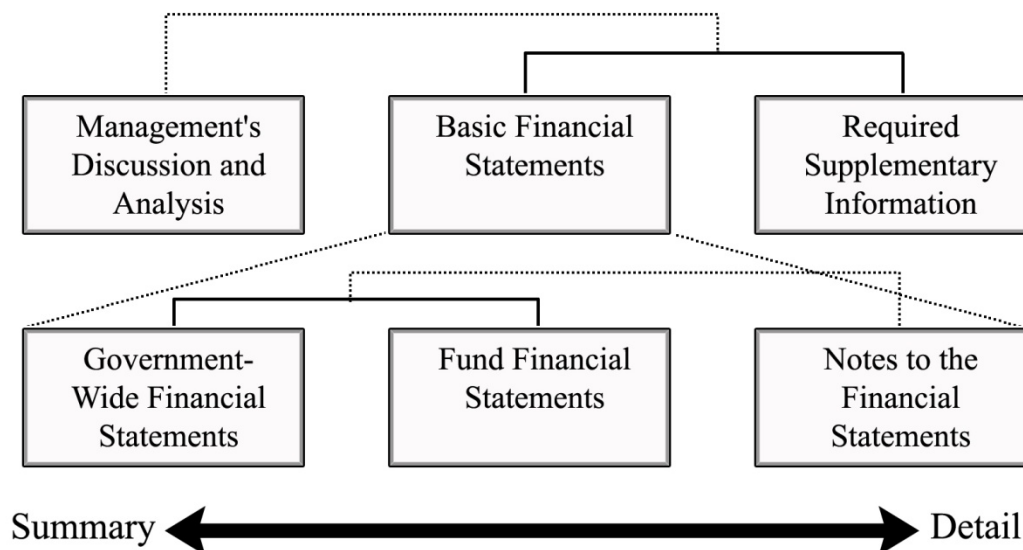
OVERVIEW OF THE FINANCIAL STATEMENTS

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

	Government -Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> ● Statement of net position ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of net position ● Statement of revenues, expenses and changes in net position ● Statement of cash flows 	<ul style="list-style-type: none"> ● Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, deferred outflow, liability, deferred inflow information	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
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS – Continued

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

The **statement of net 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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 21 and 22 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24 and 26 through 27, 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 23 and 25 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 28 through 30 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 31 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 33 through 56 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 57 through 64 of this report.

Additionally, a schedule of expenditures of federal awards is required by the Uniform Guidance and can be found on page 67 and 68 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 \$54,323,443 as of September 30, 2016.

By far, the largest portion of the County's net position, 102.65%, 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 were implemented in fiscal year 2015.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

The following table presents a summary of the County's net position at September 30, 2016 and 2015.

	Governmental		Business-type		Total		Percent
	Activities		Activities		Total		Change
Assets:	2016	2015	2016	2015	2016	2015	
Current assets	\$ 23,820,470	23,413,204	903,909	864,041	24,724,379	24,277,245	1.84%
Capital assets, net	60,230,962	62,977,979	396,440	250,541	60,627,402	63,228,520	-4.11%
Total assets	\$ 84,051,432	86,391,183	1,300,349	1,114,582	85,351,781	87,505,765	-2.46%
Deferred Outflows	\$ 2,937,760	1,571,670	257,582	174,630	3,195,342	1,746,300	82.98%
Liabilities:							
Current liabilities	\$ 947,921	832,658	151,382	116,398	1,099,303	949,056	15.83%
Long-term debt	13,559,483	14,396,407	212,338	164,465	13,771,821	14,560,872	-5.42%
Net pension liability	10,610,323	8,903,824	1,178,922	989,313	11,789,245	9,893,137	19.17%
Total liabilities	\$ 25,117,727	24,132,889	1,542,642	1,270,176	26,660,369	25,403,065	4.95%
Deferred inflows	\$ 7,548,794	7,127,825	14,517	18,002	7,563,311	7,145,827	5.84%
Net position:							
Net Inv. in capital assets	\$ 55,580,813	57,812,239	184,102	86,076	55,764,915	57,898,315	-3.68%
Restricted	6,083,208	5,006,772	-	-	6,083,208	5,006,772	21.50%
Unrestricted	(7,341,350)	(6,116,872)	(183,330)	(85,042)	(7,524,680)	(6,201,914)	21.33%
Total net position	\$ 54,322,671	56,702,139	772	1,034	54,323,443	56,703,173	-4.20%

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	\$ (7,524,680)
Less unrestricted deficit in net position resulting from recognition of GASB 68 and 71	9,358,584
Unrestricted net position, exclusive of the net pension liability effect	\$ 1,833,904

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 \$1,316,420 in charges for services for the proprietary fund for the year ended September 30, 2016.

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

- The County finished work on replacing a State Aid Road bridge for \$181,857, and acquired vehicles, garbage trucks and equipment for \$594,147 during fiscal year 2016. Current year depreciation expense was \$3,150,764.
- The County issued \$6,572,083 of debt, \$6,170,000 for advance refunding, \$402,083 for capital leases for mobile equipment and equipment. The County made \$7,489,629 in debt payments. The advance refunding resulted in an increase of \$619,517 in deferred outflows and \$69,053 in deferred inflows.
- The Ad Valorem Tax Fee-In-Lieu receivable decreased by \$477,195 due to receipt of payment and adjustment to estimated present value.
- The County's net pension liability increased \$1,896,108 along with related deferred outflows increase of \$829,525 and deferred inflows decrease of \$34,856 and recognition of pension expense of \$1,700,229.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Changes in Net Positions – Pontotoc County's total revenues for the fiscal year ended September 30, 2016 were \$15,579,195. The total cost for all services provided was \$17,965,625. The decrease in net position was \$2,379,730, 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, 2016 and 2015.

	Governmental Activities		Business-type Activities		Total		Percent Change
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
Revenues:							
Program revenues							
Charges for services	\$ 1,549,846	1,227,249	1,316,420	1,285,655	2,866,266	2,512,904	14.06%
Operating grants and contributions	1,505,020	2,789,787	-	-	1,505,020	2,789,787	-46.05%
Capital grants and contributions	203,382	1,941,280	-	-	203,382	1,941,280	-89.52%
General revenues							
Property taxes	8,849,019	8,541,653	-	-	8,849,019	8,541,653	3.60%
Road & Bridge privilege taxes	386,909	376,260	-	-	386,909	376,260	2.83%
Ad Valorem tax fee on-lieu	747,726	571,645	-	-	747,726	571,645	30.80%
Other Grants and contributions	526,331	593,907	-	-	526,331	593,907	-11.38%
Other	488,915	301,781	5,627	2,924	494,542	304,705	62.30%
Total Revenues	\$ 14,257,148	16,343,562	1,322,047	1,288,579	15,579,195	17,632,141	-11.64%
Expenses:							
General government	3,974,271	3,890,921	-	-	3,974,271	3,890,921	2.14%
Public safety	3,792,840	3,516,863	-	-	3,792,840	3,516,863	7.85%
Public works	5,502,200	7,195,982	-	-	5,502,200	7,195,982	-23.54%
Health and welfare	291,243	280,596	-	-	291,243	280,596	3.79%
Culture and recreation	405,725	419,414	-	-	405,725	419,414	-3.26%
Conservation of natural resources	101,871	94,931	-	-	101,871	94,931	7.31%
Economic development	590,565	223,458	-	-	590,565	223,458	164.28%
Interest on long-term debt	454,395	671,012	-	-	454,395	671,012	-32.28%
Pension Expense	1,530,206	1,001,616	-	-	1,530,206	1,001,616	52.77%
Solid waste collection & disposal	-	-	1,322,309	1,256,740	1,322,309	1,256,740	5.22%
Total Expenses	\$ 16,643,316	17,294,793	1,322,309	1,256,740	17,965,625	18,551,533	-3.16%
Increase (Decrease) in Net Position before prior period adjustments	\$ (2,386,168)	(951,231)	(262)	31,839	(2,386,430)	(919,392)	159.57%

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 Costs of Services		Net (Expense) Revenue		Percent
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>
General government	\$	3,974,271	3,890,921	(3,098,036)	(3,222,013)	3.85%
Public safety		3,792,840	3,516,863	(2,869,785)	(2,664,962)	-7.69%
Public works		5,502,200	7,195,982	(4,143,085)	(4,327,814)	4.27%
Health & welfare		291,243	280,596	(212,925)	(184,932)	-15.14%
Culture and recreation		405,725	419,414	(405,725)	(419,414)	3.26%
Conservation of natural recourses		101,871	94,931	(101,871)	(94,931)	-7.31%
Economic development		590,565	223,458	(569,040)	1,250,217	-145.52%
Interest on long-term debt		454,395	671,012	(454,395)	(671,012)	32.28%
Pension Expense		1,530,206	1,001,616	(1,530,206)	(1,001,616)	-52.77%
Solid Waste		1,322,309	1,263,027	5,889	22,628	-73.97%

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 \$5,854,737, an increase of \$438,408, including the prior period adjustment of \$6,700.

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 \$141,510, including the prior period adjustment of \$6,700.

Business-type funds – Revenue from the County's Garbage Collection Fund increased by 2.39% to \$1,316,420 and expenses increased by 3.69% to \$1,301,402.

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, 2016, Pontotoc County's total capital assets were \$108,010,096. This includes land, infrastructure, buildings, mobile equipment, furniture and equipment, leased property under capital lease, and improvements other than buildings. This amount represents a decrease from the previous year of \$88,001.

Total accumulated depreciation as of September 30, 2016 was \$47,382,693, including \$3,150,764 depreciation expense for the year. The balance in total net capital assets was \$60,627,402 at year-end.

Additional information on Pontotoc County's capital assets can be found in note 6 on pages 42 and 43 of this report.

Debt Administration – At September 30, 2016, Pontotoc County had \$13,771,821 in long-term debt outstanding. This is a decrease over prior year of \$789,051 that is due to debt issues totaling \$6,170,000 in advance refunding bonds for series 2007 and 402,083 in capital leases, and \$7,489,629 in debt payments. Of this debt, \$1,604,598 is due within one year.

Additional information on Pontotoc County's long-term debt can be found in note 12 on pages 51 through 53 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.

PONTOTOC COUNTY

FINANCIAL STATEMENTS

PONTOTOC COUNTY

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PONTOTOC COUNTY
Statement of Net Position
September 30, 2016

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 6,296,212	664,219	6,960,431
Property tax receivable	6,728,365		6,728,365
Accounts receivable (net of allowance for uncollectibles of \$1,082,046)		92,972	92,972
Fines receivable (net of allowance for uncollectibles of \$1,645,714)	327,525		327,525
Capital leases receivable	3,361,201		3,361,201
Ad valorem tax fee in-lieu receivable, net	6,514,849		6,514,849
Intergovernmental receivables	563,119	26,667	589,786
Other receivables	48,935	100,315	149,250
Internal balances	(19,736)	19,736	-
Capital assets:			
Land and construction in progress	3,445,959		3,445,959
Other capital assets, net	56,785,003	396,440	57,181,443
Total Assets	84,051,432	1,300,349	85,351,781
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,318,243	257,582	2,575,825
Deferred amount on refunding	619,517		619,517
Total Deferred Outflows of Resources	2,937,760	257,582	3,195,342
LIABILITIES			
Claims payable	452,906	48,510	501,416
Intergovernmental payables	321,351		321,351
Accrued interest payable	69,439		69,439
Unearned revenue		102,872	102,872
Amounts held in custody for others	104,225		104,225
Long-term liabilities			
Net pension liability	10,610,323	1,178,922	11,789,245
Due within one year:			
Capital debt	717,661	63,623	781,284
Non-capital debt	807,020		807,020
Due in more than one year:			
Capital debt	3,932,488	148,715	4,081,203
Non-capital debt	8,102,314		8,102,314
Total Liabilities	25,117,727	1,542,642	26,660,369
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	130,647	14,517	145,164
Deferred revenues - property taxes	6,728,365		6,728,365
Lease receivable interest	620,729		620,729
Deferred inflows related to refunding	69,053		69,053
Total deferred inflows of resources	7,548,794	14,517	7,563,311
NET POSITION			
Net investment in capital assets	55,580,813	184,102	55,764,915
Restricted for:			
Expendable:			
Public safety	1,147,892		1,147,892
Public works	3,133,055		3,133,055
Culture and recreation	84,802		84,802
Economic development and assistance	714,118		714,118
Debt service	1,003,341		1,003,341
Unrestricted	(7,341,350)	(183,330)	(7,524,680)
Total Net Position	\$ 54,322,671	772	54,323,443

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

PONTOTOC COUNTY
Statement of Activities
For the Year Ended September 30, 2016

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,974,271	864,380	11,855		(3,098,036)		(3,098,036)
Public safety	3,792,840	681,958	241,097		(2,869,785)		(2,869,785)
Public works	5,502,200	3,508	1,173,750	181,857	(4,143,085)		(4,143,085)
Health and welfare	291,243		78,318		(212,925)		(212,925)
Culture and recreation	405,725				(405,725)		(405,725)
Conservation of natural resources	101,871				(101,871)		(101,871)
Economic development and assistance	590,565			21,525	(569,040)		(569,040)
Interest on long-term debt	454,395				(454,395)		(454,395)
Pension expense	1,530,206				(1,530,206)		(1,530,206)
Total Governmental Activities	<u>16,643,316</u>	<u>1,549,846</u>	<u>1,505,020</u>	<u>203,382</u>	<u>(13,385,068)</u>		<u>(13,385,068)</u>
Business-type activities:							
Solid waste	1,322,309	1,316,420				(5,889)	(5,889)
Total Business-type Activities	<u>1,322,309</u>	<u>1,316,420</u>				<u>(5,889)</u>	<u>(5,889)</u>
Total Primary Government	<u>\$ 17,965,625</u>	<u>2,866,266</u>	<u>1,505,020</u>	<u>203,382</u>	<u>(13,385,068)</u>	<u>(5,889)</u>	<u>(13,390,957)</u>
General revenues:							
Property taxes					\$ 8,849,019		8,849,019
Road & bridge privilege taxes					386,909		386,909
Ad valorem tax fee-in-lieu revenue					747,726		747,726
Grants and contributions not restricted to specific programs					526,331		526,331
Unrestricted interest income					130,170	2,446	132,616
Miscellaneous					358,745	3,181	361,926
Total General Revenues and Special Items					<u>10,998,900</u>	<u>5,627</u>	<u>11,004,527</u>
Changes in Net Position					<u>(2,386,168)</u>	<u>(262)</u>	<u>(2,386,430)</u>
Net Position - Beginning, as previously reported					56,702,139	1,034	56,703,173
Prior period adjustment					6,700		6,700
Net Position - Beginning, as restated					<u>56,708,839</u>	<u>1,034</u>	<u>56,709,873</u>
Net Position - Ending					<u>\$ 54,322,671</u>	<u>772</u>	<u>54,323,443</u>

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

PONTOTOC COUNTY
Balance Sheet - Governmental Funds
September 30, 2016

Exhibit 3

	Major Funds			Other	Total
	General Fund	County Wide Road Maintenance Fund	Pride Mobility Fund	Governmental Funds	Governmental Funds
ASSETS					
Cash	\$ 959,667	698,043	15,427	4,623,075	6,296,212
Property tax receivable	4,199,365	1,275,000		1,254,000	6,728,365
Fines receivable (net of allowance for uncollectibles of \$1,645,714)	327,525				327,525
Capital lease receivable			2,047,679	1,313,522	3,361,201
Intergovernmental receivables	455,727	103,168		4,224	563,119
Other receivables	21,964			26,971	48,935
Due from other funds	38,021	36,835		74,884	149,740
Advances to other funds	14,348			56,386	70,734
Total Assets	\$ 6,016,617	2,113,046	2,063,106	7,353,062	17,545,831
LIABILITIES					
Liabilities:					
Claims payable	\$ 184,748	60,544		207,614	452,906
Intergovernmental payables	302,904	18,447			321,351
Due to other funds	105,469			44,271	149,740
Advances from other funds	76,122			14,348	90,470
Amounts held in custody for others	104,225				104,225
Total Liabilities	\$ 773,468	78,991		266,233	1,118,692
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	4,199,365	1,275,000		1,254,000	6,728,365
Unavailable revenue - capital leases			2,047,679	1,313,522	3,361,201
Unavailable revenue - fines	327,525				327,525
Unavailable revenue - intergovernmental receivable	155,311				155,311
Total deferred inflows of resources	\$ 4,682,201	1,275,000	2,047,679	2,567,522	10,572,402
Fund balances:					
Nonspendable:					
Advances	14,348				14,348
Restricted for:					
Public safety				1,152,664	1,152,664
Public works		759,055		2,374,389	3,133,444
Culture and recreation				89,690	89,690
Economic development and assistance			15,427	403,845	419,272
Debt service				512,267	512,267
Unassigned	546,600			(13,548)	533,052
Total Fund Balances	\$ 560,948	759,055	15,427	4,519,307	5,854,737
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,016,617	2,113,046	2,063,106	7,353,062	17,545,831

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

PONTOTOC COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2016

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,854,737
Amounts reported for governmental activities in the statement of net position 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 \$46,620,088.	60,230,962
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	327,525
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	6,514,849
T.V.A. in-lieu receivable	155,311
Capital leases are not available to pay for current expenditures and, therefore, are not reported in the funds.	2,740,472
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(13,559,483)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(10,610,323)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(69,439)
Deferred outflows and inflows of resources related to refunding are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to refunding	619,517
Deferred inflows of resources related to refunding	(69,053)
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	2,318,243
Deferred inflows of resources related to pensions	<u>(130,647)</u>
Total Net Position - Governmental Activities	\$ <u>54,322,671</u>

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

PONTOTOC COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2016

	Major Funds			Other	Total
	General	County Wide	Pride Mobility	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Property taxes	\$ 5,553,160	1,664,545		1,631,314	8,849,019
Road and bridge privilege taxes				386,909	386,909
Licenses, commissions and other revenue	486,380			21,373	507,753
Fines and forfeitures	399,596			44,115	443,711
In lieu taxes - Toyota	25,838			1,199,082	1,224,920
Intergovernmental revenues	819,505	1,022,293		326,357	2,168,155
Charges for services	141,860			402,880	544,740
Interest income	8,728	1,583	58,719	61,139	130,169
Miscellaneous revenues	286,026	16,984		40,735	343,745
Total Revenues	7,721,093	2,705,405	58,719	4,113,904	14,599,121
EXPENDITURES					
Current:					
General government	3,917,127			1,276	3,918,403
Public safety	3,319,298			750,537	4,069,835
Public works	11,729	664,781		2,657,603	3,334,113
Health and welfare	280,683				280,683
Culture and recreation	193,374			183,611	376,985
Conservation of natural resources	101,871				101,871
Economic development and assistance	40,000			219,979	259,979
Debt service:					
Principal	219,400		83,529	1,315,116	1,618,045
Interest	31,520		61,790	333,364	426,674
Bond issue costs				330,585	330,585
Total Expenditures	8,115,002	664,781	145,319	5,792,071	14,717,173
Excess of Revenues over (under) Expenditures	(393,909)	2,040,624	(86,600)	(1,678,167)	(118,052)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	58,706			213,920	272,626
Refunding bonds issued				6,170,000	6,170,000
Proceeds from sale of capital assets	4,829			36,713	41,542
Premiums on bonds issued				75,959	75,959
Compensation for loss of capital assets				132,564	132,564
Transfers in	216,267			2,851,598	3,067,865
Transfers out	(34,103)	(2,025,000)		(1,008,762)	(3,067,865)
Lease principal payments			99,818	115,624	215,442
Payment to bond refunding escrow agent				(6,358,373)	(6,358,373)
Total Other Financing Sources and Uses	245,699	(2,025,000)	99,818	2,229,243	549,760
Net Changes in Fund Balances	(148,210)	15,624	13,218	551,076	431,708
Fund Balances - Beginning, as previously reported	702,458	743,431	2,209	3,968,231	5,416,329
Prior period adjustment(s)	6,700				6,700
Fund Balances - Beginning, as restated	709,158	743,431	2,209	3,968,231	5,423,029
Fund Balances - Ending	\$ 560,948	759,055	15,427	4,519,307	5,854,737

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

PONTOTOC COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 431,708
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 \$517,090 exceeded depreciation of \$3,056,696 in the current period, including a donated asset valued at \$15,000.	(2,539,606)
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 loss of \$33,305 and the proceeds from the sale and insurance proceeds of \$ 174,106 in the current period.	(207,411)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	53,642
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	(477,194)
T.V.A. in lieu of tax	66,578
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 \$7,408,045 exceeded debt proceeds of \$6,442,626 and bond discount amortization of \$128,495.	836,924
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 a combination of the following items:	

PONTOTOC COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016

	<u>Amount</u>
The amount of decrease in accrued interest payable	42,725
Deferred outflow on bond refunding	681,469
Amortization of deferred outflow on bond refunding	(61,952)
Deferred inflow premium on bond refunding	(75,959)
Amortization of deferred inflow on bond refunding	6,906
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.	(215,442)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,530,207)
Recording of contributions made during the year	<u>601,651</u>
Change in Net Position of Governmental Activities	\$ <u><u>(2,386,168)</u></u>

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

PONTOTOC COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2016

Exhibit 5

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 664,219
Accounts receivable (net of allowance for uncollectibles of \$1,082,046)	92,972
Intergovernmental receivables	26,667
Other receivables	100,315
Advances to other funds	19,736
Total Current Assets	<u>903,909</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	396,440
Total Noncurrent Assets	<u>396,440</u>
Total Assets	<u>1,300,349</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	257,582
Total Deferred Outflows of Resources	<u>257,582</u>
LIABILITIES	
Current liabilities:	
Claims payable	48,510
Unearned revenue	102,872
Capital debt:	
Capital leases payable	63,623
Total Current Liabilities	<u>215,005</u>
Noncurrent liabilities:	
Net pension liability	1,178,922
Capital debt:	
Capital leases payable	148,715
Total Noncurrent Liabilities	<u>1,327,637</u>
Total Liabilities	<u>1,542,642</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	14,517
Total Deferred Inflows of Resources	<u>14,517</u>
NET POSITION	
Net investment in capital assets	184,102
Unrestricted	(183,330)
Total Net Position	<u>\$ 772</u>

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

PONTOTOC COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 1,316,420
Total Operating Revenues	<u>1,316,420</u>
Operating Expenses	
Personal services	586,976
Contractual services	287,906
Materials and supplies	142,787
Depreciation expense	94,068
Indirect administrative cost	19,642
Pension expense	170,023
Total Operating Expenses	<u>1,301,402</u>
Operating Income (Loss)	<u>15,018</u>
Nonoperating Revenues (Expenses)	
Interest income	2,446
Gain (loss) on sale of capital assets	(16,853)
Interest expense	(4,054)
Other income (expenses)	3,181
Net Nonoperating Revenue (Expenses)	<u>(15,280)</u>
Changes in Net Position	<u>(262)</u>
Net Position - Beginning	<u>1,034</u>
Net Position - Ending	<u>\$ 772</u>

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

Pontotoc County
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2016

Exhibit 7

	Business-type Activities - Enterprise Funds
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,305,380
Payments to suppliers	(400,885)
Payments to employees	(668,385)
Net Cash Provided (Used) by Operating Activities	236,110
Cash Flows From Noncapital Financing Activities	
Interfund loan repayments	(91,596)
Other receipts	3,181
Net Cash Provided (Used) by Noncapital Financing Activities	(88,415)
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	129,457
Proceeds from sale of capital assets	2,094
Acquisition and construction of capital assets	(258,914)
Principal paid on long-term debt	(81,584)
Interest paid on debt	(4,054)
Net Cash Provided (Used) by Capital and Related Financing Activities	(213,001)
Cash Flows From Investing Activities	
Interest and dividends on investments	2,446
Net Cash Provided (Used) by Investing Activities	2,446
Net Increase (Decrease) in Cash and Cash Equivalents	(62,860)
Cash and Cash Equivalents at Beginning of Year	727,079
Cash and Cash Equivalents at End of Year	\$ 664,219
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 15,018
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	94,068
Provision for uncollectible accounts	21,296
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivable	(13,547)
(Increase) decrease in accounts receivable	899
(Increase) decrease in other receivables	(1,770)
(Increase) decrease in prepaid expenses	5,084
(Increase) decrease in deferred outflows - pensions	(82,952)
Increase (decrease) in claims payable	29,808
Increase (decrease) in unearned revenue	5,176
Increase (decrease) in net pension liability	189,609
Increase (decrease) in interfund payables	(23,094)
Increase (decrease) in deferred inflows - pensions	(3,485)
Total Adjustments	221,092
Net Cash Provided (Used) by Operating Activities	\$ 236,110

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

PONTOTOC COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2016

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 296,568
Intergovernmental receivables	<u>183,992</u>
Total Assets	<u>\$ 480,560</u>
LIABILITIES	
Intergovernmental payables	\$ <u>480,560</u>
Total Liabilities	<u>\$ 480,560</u>

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

PONTOTOC COUNTY

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PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Pontotoc County, Mississippi (the 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 unit which has significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component unit which has a significant operational or financial relationship with the County. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- 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.

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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

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

The County reports the following major Governmental Funds:

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

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

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 Enterprise Fund:

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

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. 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.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. 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,

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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.”

H. 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 Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ -	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 and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement 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 amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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 11 for additional details.

In addition to liabilities, the statement of financial position will sometimes report a separate 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 – 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 11 for additional details.

Deferred inflows related to lease receivable interest – This amount represents the County's interest income on future payments and should be reported as deferred inflow of resources until such time as the revenue becomes available.

J. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and 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.

K. 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 Funds-Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2016

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position 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, construction or improvement 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 and regulations 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.

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.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2016

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.

M. Property Tax Revenues:

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

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

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

N. 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.

O. Compensated Absences.

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

(2) Prior Period Adjustments.

A summary of the significant net position/fund balance adjustments is as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
	\$ <u>6,700</u>
Total prior period adjustments	\$ <u><u>6,700</u></u>

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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

<u>Explanation</u>	<u>Amount</u>
	\$ <u>6,700</u>
Total prior period adjustments	\$ <u><u>6,700</u></u>

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$7,256,999, and the bank balance was \$7,539,977. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2016:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 38,021
County Wide Rd. Maintenance Fund	General Fund	36,835
Other Governmental Funds	General Fund	68,634
Other Governmental Funds	Other Governmental Funds	<u>6,250</u>
Total		\$ <u><u>149,740</u></u>

These receivables represent the tax revenue collected in September 2016, but not settled until October, 2016 as well as the money due on equipment sale to another fund.

All interfund balances are expected to be repaid within one year from the date of the financial statements.

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2016

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 14,348
Solid Waste	General Fund	19,736
Other Governmental Funds	General Fund	<u>56,386</u>
Total		<u>\$ 90,470</u>

The amount payable to other governmental funds represents posting errors that have not yet been corrected. Advances payable to the general fund represent loans to the payroll clearing fund.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 216,267
Other Governmental Funds	General Fund	34,103
Other Governmental Funds	County Wide District Rd Fund	2,025,000
Other Governmental Funds	Other Governmental Funds	<u>792,495</u>
Total		<u>\$ 3,067,865</u>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2016, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 171,046
T.V.A. In Lieu of Tax	155,311
Mississippi Department of Corrections	40,140
Mississippi Emergency Management	31,005
Mississippi Department of Public Safety	12,069
Motor Vehicle Fuel Tax	46,341
Motor Vehicle License Tax	19,259
Mississippi Department of Environmental Quality	15,500
Mississippi State Aid Road	22,068
Other	<u>50,380</u>
Total Governmental Activities	<u>\$ 563,119</u>
Business-type Activities:	
Garbage Collection Fees	\$ <u>26,667</u>
Total Business-type Activities	<u>\$ 26,667</u>

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

(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, TMMMS agreed to make an annual fee payment of \$2,500,000 to the PUL Alliance. The first fee payment was made on or before January 31, 2011 and subsequent fee payments shall be made on or before January 31 or 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, 2016, is as follows:

<u>September 30,</u>	<u>Receivable Balance</u>
2017	\$ 833,333
2018	833,333
2019	833,333
2020	833,333
2021	833,333
Due in six to ten years	<u>4,166,668</u>
Total	<u>\$ 8,333,333</u>
Less: Discount to present value	<u>(1,818,484)</u>
Net receivable	<u>\$ 6,514,849</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.

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2016:

Governmental activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments*	Balance Sept. 30, 2016
<u>Non-depreciable capital assets:</u>					
Land	\$ 3,445,959	-	-	-	3,445,959
Construction in progress	<u>489,515</u>	<u>181,857</u>		<u>(671,372)</u>	<u>-</u>
Total non-depreciable capital assets	<u>3,935,474</u>	<u>181,857</u>	<u>-</u>	<u>(671,372)</u>	<u>3,445,959</u>
<u>Depreciable capital assets:</u>					
Infrastructure	73,209,307		90,000	671,372	73,790,679
Buildings	16,099,109	-	-	-	16,099,109
Improvements other than buildings	2,716,631	24,850	-	-	2,741,481
Mobile equipment	9,008,477	251,677	313,779	156,176	9,102,551
Furniture and equipment	1,356,923	-	132,405	-	1,224,518
Leased property under capital leases	<u>682,567</u>	<u>58,706</u>	<u>138,344</u>	<u>(156,176)</u>	<u>446,753</u>
Total depreciable capital assets	<u>103,073,014</u>	<u>335,233</u>	<u>674,528</u>	<u>671,372</u>	<u>103,405,091</u>

PONTOTOC COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2016

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments	Balance Sept. 30, 2016
<u>Less accumulated depreciated for:</u>					
Intrastructure	28,407,989	2,425,955	39,000	-	30,794,944
Buildings	5,351,765	277,641	-	-	5,629,406
Improvements other than buildings	1,128,691	110,487	-	-	1,239,178
Mobile equipment	7,749,208	159,273	271,600	94,640	7,731,521
Furniture and equipment	1,177,738	9,041	119,164	-	1,067,615
Leased property under capital leases	215,118	74,299	37,353	(94,640)	157,424
Total accumulated depreciation	44,030,509	3,056,696	467,117	-	46,620,088
Total depreciable capital assets, net	59,042,505	(2,721,463)	207,411	671,372	56,785,003
Governmental activities capital assets, net	\$ 62,977,979	(2,539,606)	207,411		60,230,962

*Adjustments to construction in progress were to reclassify completed construction of a state aid bridge.
Adjustments to furniture and equipment were to reclassify paid off leased assets.

Business-type activities:

	Balance Oct. 1, 2015	Additions	Deletions	Adjustments *	Balance Sept. 30, 2016
<u>Depreciable capital assets:</u>					
Mobile equipment	831,174	129,457	189,477	128,829	899,983
Leased property under capital leases	258,434	129,457	-	(128,829)	259,062
Total depreciable capital assets	1,089,608	258,914	189,477	-	1,159,045
<u>Less accumulated depreciated for:</u>					
Mobile equipment	746,171	47,436	170,530	69,566	692,643
Leased property under capital leases	92,896	46,632	-	(69,566)	69,962
Total accumulated depreciation	839,067	94,068	170,530	-	762,605
Total depreciable capital assets, net	250,541	164,846	18,947	-	396,440
Business-type activities capital assets, net	\$ 250,541	164,846	18,947	-	396,440

*Adjustments are for reclassifications of paid off leased assets.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 289,710
Public safety	74,012
Public works	2,617,247
Health and welfare	10,560
Culture and recreation	65,167
Total governmental activities depreciation expense	\$ 3,056,696

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

	Amount
Business-type activities:	
Solid waste	\$ 94,068
Total business-type activities depreciation expense	\$ 94,068

(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, 2016, to January 1, 2017. 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, 2016:

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

Notes to Financial Statements For the Year Ended September 30, 2016

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
Other		<u>2,951,168</u>
Total	\$	<u><u>3,520,768</u></u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2016, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 206,881	90,472
2018	230,255	88,295
2019	238,952	79,597
2020	247,894	70,654
2021	203,060	61,988
2022 - 2026	1,071,015	200,729
2027 - 2029	<u>542,415</u>	<u>28,994</u>
Total	\$ <u><u>2,740,472</u></u>	<u><u>620,729</u></u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2016:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 446,753	259,062
Furniture and equipment - below capital threshold	<u>213,920</u>	<u>-</u>
Total	660,673	259,062
Less: Accumulated depreciation	<u>(157,424)</u>	<u>(69,962)</u>
Leased Property Under Capital Leases	\$ <u><u>503,249</u></u>	<u><u>189,100</u></u>

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

The following is a schedule by years of the total payments due as of September 30, 2016:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 130,093	7,625	63,623	4,356
2018	108,082	5,076	65,151	2,829
2019	96,069	2,711	63,884	1,265
2020	44,608	1,126	19,680	158
2021	18,933	124	-	-
Total	\$ 397,785	16,662	212,338	8,608

(11) Other Postemployment Benefits.

Plan Description

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.

(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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) 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 became 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

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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, 2016, 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, 2016 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 ending September 30, 2016, 2015 and 2014 were \$668,501, \$638,456, and \$632,865, 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, 2016, the County reported a liability of \$11,789,245 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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. The County's proportionate share used to calculate the September 30, 2016 net pension liability was 0.066 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.002 percent from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$1,700,229. At September 30, 2016, 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
Differences between expected and actual experience	\$ 290,761	-
Net difference between projected and actual earnings on pension plan investments	1,365,739	-
Changes of assumptions	538,929	31,327
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	213,691	113,837
County contributions subsequent to the measurement date	166,705	-
Total	\$ 2,575,825	145,164

\$166,705 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

Year ending September 30:

2017	\$ 832,690
2018	747,817
2019	450,552
2020	<u>232,897</u>
Total	<u>\$ 2,263,956</u>

Actuarial Assumptions. The total pension liability in the June 30, 2016 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.

The actuarial assumptions used in the June 30, 2016 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 a 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, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>1.00</u>	(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.

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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	\$ 15,116,459	11,789,245	9,028,741

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

(13) Long-term Debt.

Debt outstanding as of September 30, 2016, 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	\$ 2,515,000	Various	09/2025
Pontotoc County G.O. Bonds, Series 2007	495,000	Various	07/2017
Pontotoc County G.O. Road and Bridge Bonds, Series 2015	122,733	1.90%	07/2020
Pontotoc County G.O. Refunding Bonds	<u>5,985,000</u>	3.00-3.50%	06/2026
Total General Obligation Bonds	<u>\$ 9,117,733</u>		
B. Capital Leases:			
Backhoe	\$ 11,109	2.20%	05/2017
Dump Truck	13,248	1.81%	07/2017
8 Ford F-150's	130,160	1.74%	07/2019
Dodge Truck	28,105	2.40%	03/2019
Tractor	24,536	2.40%	08/2019
Volunteer Fire Equipment	<u>190,627</u>	2.60%	03/2021
Total Capital Leases	<u>\$ 397,785</u>		
C. Other Loans:			
Building Loan (Child Services Building)	\$ 396,000	0.00%	09/2025
Certificates of Participation (Extension Building)	294,000	3.99%	11/2018
Economic Development Loan (Southern Motion)	242,853	4.00-5.00%	11/2020
Equipment Loan - 6 fire trucks	295,084	3.19%	04/2020
TVA Loan*	526,181	3.00%	06/2030
Building Loan (Fair Extension Building)	103,367	3.50%	11/2026
CAPS Loan	586,836	3.00%	01/2027
Economic Development Loan (Pride Mobility)	1,341,625	4.05-4.75%	10/2029
Economic Development Loan (Pride Mobility)	<u>274,313</u>	3.00%	02/2030
Total Other Loans	<u>\$ 4,060,259</u>		

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
A. Capital Leases:			
Garbage Truck	\$ 95,680	2.35%	08/2019
Garbage Truck	<u>116,658</u>	2.40%	04/2020
Total Capital Leases	<u>\$ 212,338</u>		

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

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 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2017	\$ 889,823	301,762	521,059	128,983
2018	930,389	264,085	539,954	111,280
2019	955,966	235,038	404,619	92,865
2020	986,555	205,106	311,396	81,035
2021	985,000	174,200	267,570	71,363
2022 - 2026	4,370,000	371,463	1,358,121	234,673
2027 - 2030	<u>-</u>	<u>-</u>	<u>657,540</u>	<u>41,216</u>
Total	<u>\$ 9,117,733</u>	<u>1,551,654</u>	<u>4,060,259</u>	<u>761,415</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, 2016, the amount of outstanding debt was equal to 1.66% of the latest property assessments.

Advance Refunding - On October 29, 2015, the County issued \$6,170,000 in general obligation refunding bonds with an average interest rate of 3.25% to advance refund \$5,790,000 of the following outstanding bond issue(s):

Issue	Average Interest Rate	Outstanding Amount Refunded
Pontotoc County G.O. Bonds, Series 2007	5.50%	\$ 5,790,000

The Pontotoc County G.O. Bonds, Series 2007 had an outstanding balance of \$6,755,000 at the time of refunding, but only \$5,790,000 of the bond was refunded, leaving a remaining principal balance of \$965,000, of which \$470,000 was redeemed during fiscal year 2016.

The net proceeds of \$5,915,373 plus an additional payment from the County of \$443,000 (after payment of \$330,585 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

The County advance refunded the above bonds to reduce its total debt service payments over the next ten years by almost \$770,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$127,933.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Reductions	Balance Sept. 30, 2016	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 9,642,000	6,170,000	6,694,267	9,117,733	889,823
Less:					
Deferred amt on refunding					
Discount on issuance	(144,789)	-	(128,495)	(16,294)	-
Capital leases	353,750	272,626	228,591	397,785	130,093
Other loans	4,545,446		485,187	4,060,259	521,059
Total	<u>\$ 14,396,407</u>	<u>6,442,626</u>	<u>7,279,550</u>	<u>13,559,483</u>	<u>1,540,975</u>

	Balance Oct. 1, 2015	Additions	Reductions	Balance Sept. 30, 2016	Amount due within one year
Business-type Activities:					
Capital leases	\$ 164,465	129,457	81,584	212,338	63,623
Total	<u>\$ 164,465</u>	<u>129,457</u>	<u>81,584</u>	<u>212,338</u>	<u>63,623</u>

(14) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net position at September 30, 2016:

Fund	Deficit Amount
KC Integrated Fund	\$ 13,548

(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

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

reissued for \$4,235,000. As part of a solid waste disposal agreement between Pontotoc County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share of the \$2,695,000 refunding bonds balance at September 30, 2016 was \$455,455.

(16) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$7,341,350) 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 \$150,035 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, 2017. The \$2,168,208 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years. The \$130,647 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next three years.

The governmental activities' unrestricted net position amount of (\$7,341,350) includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. The \$619,517 balance of deferred outflows of resources at September 30, 2016, will be recognized as an expense and will decrease the unrestricted net position over the next ten years. The \$69,053 balance of the deferred inflow of resources related to the advance refunding at September 30, 2016, will be recognized as a reduction in interest expense and increase unrestricted net position over the next ten years.

The governmental activities' unrestricted net position amount of (\$7,341,350) includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$620,729 balance of deferred inflows of resources at September 30, 2016, will be recognized as revenue and will increase the unrestricted net position over the next thirteen years.

The business-type activities' unrestricted net position amount of (\$183,330) 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 \$16,670 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, 2017. The \$240,912 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years. The \$14,517 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next three years.

(17) Joint Ventures.

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 \$159,940 to the library in fiscal year 2016. 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. (19742) 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 Recreation 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

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

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 fifteen years, an amount equal to $\frac{1}{4}$ of a mill from the 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 the 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 2016.

(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 forty members of the board of directors. The County contributed \$40,000 for support of the district in fiscal year 2016.

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 \$26,950 for the support of the commission in fiscal year 2016.

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 thirty members of the college board of trustees. The County provided approximately \$993,294 by tax levy as an appropriation for maintenance and support of the college in fiscal year 2016.

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 fourteen 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 2016.

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 \$34,798 for support of the district in fiscal year 2016.

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 the support of Lift, Inc. in fiscal year 2016.

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 2016.

(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 November 7, 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.

PONTOTOC COUNTY

Notes to Financial Statements For the Year Ended September 30, 2016

Subsequent to September 30, 2016, the County issued the following debt obligation(s):

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/22/2016	2.00 - 2.50%	\$ 2,595,000	GO Refunding Bonds	Ad valorem taxes
03/15/2017	2.80%	146,450	Capital lease	Ad valorem taxes
08/21/2017	2.49%	144,025	Capital lease	Ad valorem taxes
12/22/2017	2.89%	49,157	Capital lease	Ad valorem taxes
02/17/2018	2.69%	133,240	Capital lease	Ad valorem taxes
04/27/2018	2.69%	288,022	Capital lease	Ad valorem taxes
05/11/2018	2.69%	137,000	Capital lease	Ad valorem taxes
06/25/2018	2.50%	588,000	G.O. Bonds	Ad valorem taxes
06/25/2018	2.50%	367,500	G.O. Bonds	Ad valorem taxes
07/31/2018	2.69%	25,676	Capital lease	Ad valorem taxes
09/24/2018	2.25%	433,693.40	Capital lease	Ad valorem taxes

PONTOTOC COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PONTOTOC COUNTY

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PONTOTOC COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2016
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,462,076	5,764,066	5,764,066	
Licenses, commissions and other revenue		518,882	518,882	
Fines and forfeitures		402,244	402,244	
Intergovernmental revenues		1,057,840	1,057,840	
Charges for services		122,800	122,800	
In lieu tax - Toyota		25,839	25,838	(1)
Interest income		8,259	8,413	154
Miscellaneous revenues		616,971	616,971	
Total Revenues	<u>3,462,076</u>	<u>8,516,901</u>	<u>8,517,054</u>	<u>153</u>
EXPENDITURES				
Current:				
General government	4,408,808	3,883,318	3,883,318	
Public safety	2,832,161	3,323,408	3,323,408	
Public works	4,400	8,570	8,570	
Health and welfare	272,530	255,110	255,110	
Culture and recreation	181,286	192,842	192,842	
Conservation of natural resources	119,007	97,196	97,196	
Economic development and assistance	40,000	40,000	40,000	
Debt service:				
Principal	524,400	219,400	219,400	
Interest	59,185	31,520	31,520	
Total Expenditures	<u>8,441,777</u>	<u>8,051,364</u>	<u>8,051,364</u>	
Excess of Revenues over (under) Expenditures	<u>(4,979,701)</u>	<u>465,537</u>	<u>465,690</u>	<u>153</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	4,829	4,829	
Transfers in	-	538,238	538,238	
Transfers out	(418,500)	(244,836)	(244,837)	(1)
Total Other Financing Sources and Uses	<u>(418,500)</u>	<u>298,231</u>	<u>298,230</u>	<u>(1)</u>
Net Change in Fund Balance	(5,398,201)	763,768	763,920	152
Fund Balances - Beginning	<u>(264,671)</u>	<u>(402,286)</u>	<u>(211,753)</u>	<u>190,533</u>
Fund Balances - Ending	<u>\$ (5,662,872)</u>	<u>361,482</u>	<u>552,167</u>	<u>190,685</u>

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

PONTOTOC COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Wide Road Maintenance Fund
 For the Year Ended September 30, 2016
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$	1,723,042	1,723,042	
Intergovernmental revenues		592,512	592,512	
Interest income		1,364	1,583	219
Miscellaneous revenues		194,425	194,425	
Total Revenues		2,511,343	2,511,562	219
EXPENDITURES				
Current:				
Public works	510,350	396,882	396,882	
Total Expenditures	510,350	396,882	396,882	
Excess of Revenues over (under) Expenditures	(510,350)	2,114,461	2,114,680	219
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,900,000)	(2,025,000)	(2,025,000)	
Total Other Financing Sources and Uses	(1,900,000)	(2,025,000)	(2,025,000)	
Net Change in Fund Balance	(2,410,350)	89,461	89,680	219
Fund Balances - Beginning	(965,000)	627,142	608,364	(18,778)
Fund Balances - Ending	\$ (3,375,350)	716,603	698,044	(18,559)

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, 2016

	2016	2015	2014
County's proportion of the net pension liability (asset)	0.066%	0.064%	0.066%
County's proportionate share of the net pension liability (asset)	\$ 11,789,245	9,893,138	8,011,192
County's covered-employee payroll	\$ 4,220,194	4,053,685	4,018,172
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	279.35%	244.05%	199.37%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	37.27%

* 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
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 668,501	638,456	\$ 632,865
Contributions in relation to the contractually required contribution	<u>668,501</u>	<u>638,456</u>	<u>632,865</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 4,244,122	4,053,685	\$ 4,018,172
Contributions as a percentage of covered-employee payroll	15.75%	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

Notes to the Required Supplementary Information For the Year Ended September 30, 2016

UNAUDITED

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:

	Governmental Fund Types	
	General Fund	County Wide Maintenance
Budget (Cash Basis)	\$ 763,920	89,680
Increase (Decrease)		
Net adjustments for revenue accruals	(975,768)	(193,843)
Net adjustments for expenditure accruals	63,638	119,787
GAAP Basis	\$ <u>(148,210)</u>	<u>15,624</u>

PONTOTOC COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2016

UNAUDITED

Pension Schedules

A. Changes of assumptions.

2015

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

B. Changes in benefit provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Method and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (2016 Employer contributions are developed from 2014 evaluation).

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	29.2 years
Asset valuation method	5-year smoothed market
Price Inflation	3.50 percent
Salary increase	4.25 percent to 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

PONTOTOC COUNTY

SUPPLEMENTAL INFORMATION

PONTOTOC COUNTY

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PONTOTOC COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-through Mississippi Office of the State Treasurer			
Forest Service Schools and Roads Cluster			
Schools and Roads - Grants to States	10.665	N/A	\$ 2,178
U.S. Department of Justice			
Passed-through Mississippi Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14LB1581	\$ 5,611
U.S. Department of Labor:			
Passed-through Mississippi Department of Employment Security:			
Workforce Investment Act Cluster:			
WIA/WIOA Adult Program	17.258	200-15-06	\$ 2,554,984 *
WIA/WIOA Adult Program	17.258	200-14-04	355,939 *
WIA/WIOA Youth Activities	17.259	200-15-04	1,657,074 *
WIA/WIOA Youth Activities	17.259	200-14-04	652,045 *
WIA/WIOA Dislocated Worker Formula Grants	17.278	200-15-06	1,073,025 *
WIA/WIOA Dislocated Worker Formula Grants	17.278	200-14-05	507,480 *
WIA/WIOA Dislocated Worker Formula Grants	17.278	200-13-05	75,000 *
Total Workforce Investment Act Cluster			\$ 6,875,547
U.S. Department of Transportation:			
Federal Highway Administration			
Passed-through Mississippi Office of State Aid Road Construction			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	BR NBIS 83 B	\$ 18,920
National Highway Traffic Safety Administration			
Passed-through Mississippi Department of Public Safety			
State and Community Highway Safety	20.600	16-OP-158-1	\$ 4,500
Alcohol Open Container Requirements	20.607	16-ST-158-1	9,070
Alcohol Open Container Requirements	20.607	16-ST-158-2	9,819
Subtotal			\$ 23,389
Total U.S. Department of Transportation			\$ 42,309

PONTOTOC COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

<u>Federal Grantor/ Pass-through Grantor/ Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Appalachian Regional Commission			
Passed-through Mississippi Development Authority			
Appalachian Area Development	23.002	MS-18092	\$ 11,400
U.S. Department of Homeland Security:			
Passed-through Mississippi Emergency Management:			
Hazard Mitigation Grant	97.039	FEMA-1604-503-	90,205
Hazard Mitigation Grant	97.039	FEMA-1604-504-	90,157
Emergency Management Performance Grants	97.042	EMPG FY 2016	\$ 31,005
Total U.S. Department of Homeland Security			<u>211,367</u>
Total Expenditures of Federal Awards			<u>\$ 7,148,142</u>

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent unexpended advances which have been returned.

The County did not have any federal loan programs during the year ended September 30, 2016.

The County has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Total expenditures of federal awards include \$6,875,547 passed-through an agency fund to the Three Rivers Planning and Development District during the year ended September 30, 2016.

Note C - Hazard Mitigation Grant

Total expenditures of federal awards include \$180,362 passed-through an agency fund to the Pontotoc County School District during the year ended September 30, 2016.

* Denotes major federal award program.

PONTOTOC COUNTY

OTHER INFORMATION

PONTOTOC COUNTY

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PONTOTOC COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2016
UNAUDITED

Name	Position	Company	Bond
Wayne Stokes	Supervisor, District 1	Western Surety Company	\$100,000
Mike McGregor	Supervisor, District 2	Western Surety Company	\$100,000
Brad Ward	Supervisor, District 3	Western Surety Company	\$100,000
Ernie Wright	Supervisor, District 4	Western Surety Company	\$100,000
Dan McKnight	Supervisor, District 5	Western Surety Company	\$100,000
Ricky Ferguson	Chancery Clerk	RLI Insurance Company	\$100,000
Ricky Ferguson	County Administrator	RLI Insurance Company	\$100,000
Melinda Nowicki	Circuit Clerk	RLI Insurance Company	\$100,000
Cathy Purdon	Deputy Court Clerk	RLI Insurance Company	\$50,000
Brenda Farr	Deputy Court Clerk	RLI Insurance Company	\$50,000
Maggie Patrick	Deputy Court Clerk	RLI Insurance Company	\$50,000
Crishon Washington	Deputy Court Clerk	RLI Insurance Company	\$50,000
Lisa D Fowler	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Cindy Didonna	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Gail Jagers	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Van McWhirter	Tax Assessor/Collector	RLI Insurance Company	\$100,000
Paul Heath	Deputy Tax Assessor	RLI Insurance Company	\$50,000
Jenny Lucroy	Deputy Tax Collector	RLI Insurance Company	\$50,000
Myrtle Elizabeth Sledge	Deputy Tax Collector	RLI Insurance Company	\$50,000
Troy Ward	Deputy Tax Collector	RLI Insurance Company	\$50,000
Martha Zinn	Deputy Tax Collector	RLI Insurance Company	\$50,000
Lorna Wright	Deputy Tax Collector	RLI Insurance Company	\$50,000
Jennifer Russell	Deputy Tax Collector	RLI Insurance Company	\$50,000
Melissa Wilder	Deputy Tax Collector	RLI Insurance Company	\$50,000
Kristy Bolen	Deputy Tax Collector	RLI Insurance Company	\$50,000
Jeanne K Hill	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Leo Mask	Sheriff	Western Surety Company	\$100,000
Kaye Davis	Sheriff Bookkeeper	RLI Insurance Company	\$50,000
Scottie Harrison	Justice Court Judge	RLI Insurance Company	\$50,000
David Hall	Justice Court Judge	RLI Insurance Company	\$50,000
Lauren Munn	Justice Court Clerk	RLI Insurance Company	\$50,000
Cheryl Woods	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Glenda Hitt	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Melissa Ferguson	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Deborah Spratt	Deputy Justice Court Clerk	RLI Insurance Company	\$50,000
Tommy Corbin	Constable	Western Surety Company	\$50,000
LD Gillespie	Constable	FCCI Insurance Group	\$50,000
Regina Foster	Purchase Clerk	RLI Insurance Company	\$75,000
Ricky D. Ferguson	Assistant Purchase Clerk	RLI Insurance Company	\$50,000
Jeffreys Carol	Receiving Clerk	Western Surety Company	\$75,000
Tim Holcomb	Receiving Clerk	RLI Insurance Company	\$75,000
Eddie Christian	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Donnie McCarty	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
John Golden	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Allen Woody Morris	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Ricky Williams	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Mandy Ditto	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Ricky D Ferguson	Inventory Clerk	RLI Insurance Company	\$75,000
Bryan Wood	Agricenter Director	RLI Insurance Company	\$50,000
Kim Bedford	Coroner	Western Surety Company	\$2,000

PONTOTOC COUNTY

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PONTOTOC COUNTY

SPECIAL REPORTS

PONTOTOC COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Pontotoc County, Mississippi

We have audited, 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 (the County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 7, 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 financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities, **business-type activities, and Solid Waste Fund** because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, and 2016-006 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pontotoc County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003 and 2016-004.

We also noted certain matters which we have 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 November 7, 2018, included within this document.

Pontotoc County's Responses to Findings

Pontotoc County's responses to the findings identified in our audit are 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 7, 2018



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Members of the Board of Supervisors
Pontotoc County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Pontotoc County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Pontotoc County, Mississippi's major federal programs for the year ended September 30, 2016. Pontotoc County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Pontotoc County, Mississippi's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of Pontotoc County, Mississippi's compliance.

Opinion on the 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 its major federal program for the year ended September 30, 2016.

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 compliance 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT CPA
Director, County Audit Section

November 7, 2018



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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 bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. 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 such 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:

Purchase Clerk.

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

Repeat Finding Yes

Criteria 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.

Condition As reported in the prior years' audit reports, we noted a purchase of equipment for which two

written quotes were not obtained.

Cause	Purchase laws and procedures were not being monitored and followed.
Effect	Failure to obtain at least two written bid quotes for purchases over \$5,000 but not over \$50,000, and approving the lowest and best bid, could result in the loss of public funds.
Recommendation	The Purchase Clerk 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.
Views of Responsible Official(s)	This occurred under the former administration and has been addressed. Purchase laws and procedures are now being monitored and followed.

Inventory Control Clerk.

2. Inventory Control Clerk should maintain an inventory control system

Repeat Finding	Yes
Criteria	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 recording donated assets at the fair market value at the time of acquisition.
Condition	During the course of our audit, we noted the donation of a truck that had not been added to inventory. The fair market value of the Ford F-350 at the time of donation was determined to be \$15,000.
Cause	The asset was not properly added to the inventory listing.
Effect	A weakness 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.
Views of Responsible Official(s)	These controls are now in place. This item was missed in the paperwork from the board room to the Deputy Clerk keying in the information.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Pontotoc County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2016.

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 and, in our opinion, is fairly presented 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 Pontotoc County, Mississippi's compliance with the aforementioned requirements, 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.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 7, 2018

PONTOTOC COUNTY

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2016

Schedule 1

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

PONTOTOC COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2016

Schedule 2

Our tests did not identify any emergency purchases.

PONTOTOC COUNTY

Schedule 3

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2016

Our tests did not identify any purchases made noncompetively from a sole source.



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Pontotoc County, Mississippi

In planning and performing our audit of the financial statements of Pontotoc County, Mississippi for the year ended September 30, 2016, 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 November 7, 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 areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Chancery Clerk.

1. The Chancery Clerk's annual financial report contained inaccuracies.

Repeat Finding Yes

Criteria Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the county's General Fund on or before April 15th for the preceding calendar year.

Condition The Clerk claimed \$1,270 for an expense that was not allowable.

Cause Cash remained in the cash drawer at the end of the calendar year.

Effect After the disallowance of this expense, the Chancery Clerk's total excess fees for calendar year 2016 would be \$26,476, of which \$25,206 was previously settled to the County. The failure to settle the additional excess fees of \$1,270 could result in the loss of public funds.

Recommendation The Chancery Clerk's annual financial report should be revised to reflect the correction to the expense claimed that was inaccurate, and the balance due the County should be paid to the General Fund.

Views of Responsible Official(s)

The \$1,270 in question was cash for the cash drawers in the Chancery Clerk's office. This money was and has been maintained in those drawers. To correct the issue, the Chancery Clerk will deposit the cash drawers into the General Fund. After doing so, the Clerk will replenish the cash drawers each year and then deposit them into the General Fund at the end of the year if they cause an overage in the \$90,000 cap.

Circuit Clerk.

2. Internal controls over accounting and reconciling Circuit Clerk fee income and expenses should be strengthened.

Repeat Finding No

Criteria Section 9-1-43, Miss. Code Ann. (1972) requires the Circuit Clerk to maintain a cash fee journal. Good internal controls would include a monthly reconciliation of the fee journal cash balance to the bank statement.

Condition Audit test work revealed the Circuit Clerk was not reconciling the fee journal bank account to the fee journal cash balance, and after an auditor-prepared reconciliation was done, a net difference was noted between income on the fee journal and income reported on the annual financial report in the amount of \$4,094. The Circuit Clerk exceeded the salary cap for 2016; therefore, this amount will be due to the county.

Cause The fee journal bank account was not properly being reconciled to the fee journal cash balance.

Effect Failure to accurately reconcile the fee journal bank account to the fee journal cash balance could result in misappropriation of public funds.

Recommendation The Circuit Clerk should ensure the bank statement is properly reconciled to the fee journal on a monthly basis. Also, the Clerk's annual financial report should be revised to reflect corrections to impacted line items and the balance due the County of \$4,094 should be remitted to the General Fund.

Views of Responsible Official(s)

As soon as the discrepancy was brought to my attention, I wrote a check in the amount of \$4,094.00 to Pontotoc County. I also prepared and sent an amended Annual Financial Report and mailed it on January 19, 2018. After it was explained exactly how the account should have been reconciled, I went back and reconciled all of 2017 and have been reconciling 2018 statements. I have attached a copy of my check and a receipt from Pontotoc County.

Pontotoc County's responses to the finding 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

November 7, 2018

PONTOTOC COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PONTOTOC COUNTY

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PONTOTOC COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2016

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	Unmodified
County Wide Road Maintenance Fund	Unmodified
Pride Mobility Fund	Unmodified
Aggregate remaining fund information	Unmodified
Solid Waste Fund	Qualified
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes
 - b. Significant deficiency(ies) identified? None Reported
3. Noncompliance material to the financial statements noted? Yes

Federal Awards:

4. Internal control over major federal programs:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified? None Reported
5. Type of auditor's report issued on compliance for major federal programs: Unmodified
6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No
7. Identification of major federal programs:
 - a. 17.258, WIA Adult Program (WIA Cluster)
 - b. 17.259, WIA Youth Activities (WIA Cluster)
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2016-001. Financial data for component units not included in financial statements.

Repeat Finding Yes, 2015-001

Criteria Generally accepted accounting principles require the financial data of the County's component unit 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 unit.

Condition As reported in the prior years' audit reports, the financial statements do not include the financial data for the County's legally separate component unit.

Cause The Board of Supervisors determined it was not currently economically feasible to include financial data of the County's component unit.

Effect The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

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

Views of Responsible Officials Pontotoc will comply when economically feasible.

Material Weakness

2016-002 Liability for postemployment benefits not recorded and note disclosures for postemployment benefits not reported.

Repeat Finding Yes; 2015-002

Criteria 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.

Condition As stated 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.

Cause No actuarial valuation was performed to allow the County to properly calculate the liability for postemployment benefits.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

Effect	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.
Views of Responsible Officials	This issue will be addressed with the County's accounting firm.
Material Weakness Material Noncompliance	
2016-003	<u>The Board of Supervisors did not cite the specific/correct levy authority from the Mississippi Code for each county levy.</u>
Repeat Finding	No
Criteria	Section 27-39-317, Miss. Code Ann. (1972), requires the Board of Supervisors to specify the purpose of each tax levy when approving the tax levy. The specific and correct authority from the Mississippi Code should be cited for each tax levy contained in the county ad valorem tax levy.
Condition	The Board of Supervisors approved the fiscal year ended September 30, 2016 tax levy without citing the specific and/or correct authority from the Mississippi Code for each tax levy approved.
Cause	The codes were not included before the budget for fiscal year 2016 was approved by the Board of Supervisors.
Effect	The omissions of legal descriptions could lead to improper or unauthorized tax levies.
Recommendation	The Board of Supervisors should cite the specific and correct levy authority from the Mississippi Code for each county levy.
Views of Responsible Officials	This issue was addressed by the new administration with the following year budget preparation process. These codes are now included.
Material Weakness Material Noncompliance	
2016-004	<u>The Board of Supervisors authorized to levy annual taxes for amount that exceeds authority.</u>
Repeat Finding	No
Criteria	Section 37-59-107, Miss. Code Ann. (1972), authorizes the Board of Supervisors to levy taxes for the school district in an amount sufficient to pay the principal of and interest upon such negotiable notes or certificates of indebtedness. It is expressly provided, however, that, such annual tax levy shall not exceed three (3) mills.
Condition	The Board of Supervisors authorized to levy taxes for the school district in an amount that exceeded three (3) mills with a reference to Section 37-59-101, Miss. Code Ann. (1972), which refers to purposes for which money may be borrowed by school boards. Section 37-59-101, Miss. Code Ann. (1972), does not refer to tax levy amounts, however, Section 37-59-107 does authorize the tax levy.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

Cause	This was an error during the budgeting process that led to an authorization to levy annual taxes for an amount that exceeds authority.
Effect	The failure to levy taxes for the proper amounts will result in noncompliance with Mississippi Code Section 37-59-107.
Recommendation	The Board of Supervisors should verify that each county levy is in compliance with state statute.
Views of Responsible Officials	We acknowledge this error and will correct it going into the next budget process.
Sheriff.	
Material Weakness	
2016-005	<u>Segregation of duties in the Sheriff's office should be strengthened.</u>
Repeat Finding	Yes; 2015-011
Criteria	An effective system of internal controls should include an adequate segregation of duties.
Condition	As reported in the prior year's audit report, cash collection, disbursement and reconciliation functions in the Sheriff's office are not adequately segregated for effective internal controls. The bookkeeper prepares and makes deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds.
Cause	Auditor was unable to determine the cause of the inadequate segregation of duties.
Effect	Failure to implement adequate segregation of duties could result in the loss of public funds.
Recommendation	The Sheriff should ensure that there is an adequate separation of duties in the collecting, recording and settlement functions within the Sheriff's office.
Views of Responsible Official	The Sheriff has made all necessary changes so that all of the material weakness issues addressed above have been corrected.
Justice Court Clerk Sheriff's	Six individuals instead of one bookkeeper now perform the duties addressed related to the account, petty cash, and the drug fund account.
Material Weakness	
2016-006	<u>Segregation of duties in the Justice Court Clerk's office should be strengthened.</u>
Repeat Finding	Yes; 2015-013
Criteria	An effective system of internal controls should include an adequate segregation of duties.
Condition	As reported in the prior year's audit report, cash collection, disbursement and reconciliation functions in the Justice Court Clerks' office are not adequately segregated for effective internal controls. One Deputy Clerk prepares and makes deposits, calculates the monthly settlements, writes disbursement checks and reconciles the bank statements.
Cause	Auditor was not able to determine the cause for the inadequate segregation of duties.

PONTOTOC COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

Effect	Failure to implement an adequate segregation of duties could result in the loss of public funds.
Recommendation	The Justice Court Clerk should ensure that there is an adequate separation of duties in the collecting, recording and settlement functions within the Justice Court Clerk's office.
Views of Responsible Official	My deputy clerk does the duties mentioned in the findings; however, she is not authorized to sign the checks nor does she have access to the safe. The duties of each deputy clerk are distributed according to how previous Justice Court Clerks have had it arranged. At this point, I will begin reassigning the financial duties between myself and my deputy clerk to strengthen the internal controls of the office. Any further changes will be address and implemented.