



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

PONTOTOC COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS AND
SPECIAL REPORTS

For the Year Ended September 30, 2017

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

(This page intentionally left blank.)

PONTOTOC COUNTY, MISSISSIPPI

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	5
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	11
FININANCIAL STATEMENTS	
Statement of Net Position	23
Statement of Activities.....	24
Balance Sheet – Governmental Funds	25
Reconciliation of the Balance Sheet of Governmental Funds to The Statement of Net Position	26
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	27
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Net Position – Proprietary Fund	29
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	30
Statement of Cash Flows – Proprietary Fund	31
Statement of Fiduciary Assets and Liabilities.....	32
Notes to Financial Statements.....	33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Budget and Actual (Non – GAAP Basis) – General Fund	63
County Wide Road Maintenance Fund.....	64
Schedule of the County’s Proportionate Share of the Net Pension Liability	65
Schedule of County’s Contributions	66
Notes to the Required Supplementary Information	67

PONTOTOC COUNTY, MISSISSIPPI

TABLE OF CONTENTS

- Continued -

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards.....	71
---	----

OTHER INFORMATION

Schedule of Surety Bonds for County Officials	75
---	----

SPECIAL REPORTS

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 <i>Government Auditing Standards</i>	79
--	----

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance.....	81
---	----

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	85
--	-----------

M. M. WINKLER & ASSOCIATES, PLLC

Certified Public Accountants

221 Franklin Street - P. O. Box 499
Tupelo, Mississippi 38802
(662) 842-4641 or Fax (662) 842-4646
info@mmwinkler.com

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, 2017, 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 units has not been determined.

INDEPENDENT AUDITOR'S REPORT

- Continued -

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Pontotoc County, Mississippi, as of September 30, 2017 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 has not been determined.

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, 2017, 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, County-wide Road Maintenance Fund, the Pride Mobility Fund and the aggregate remaining fund information of Pontotoc County, Mississippi, as of September 30, 2017, 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 Schedules, the schedule of the County's Proportionate Share of the Net Pension Liability, Schedule of the County's Contributions and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT

- Continued -

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 of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 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 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 December 11, 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 the effectiveness of Pontotoc County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pontotoc County, Mississippi's internal control over financial reporting and compliance.

M. M. Winkler & Associates, PLLC

December 11, 2018

(This page intentionally left blank.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page intentionally left blank.)

PONTOTOC COUNTY, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2017

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, 2017. 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 \$54,323,443 in FY 2016 to \$53,089,891, (including the prior period adjustment) which represents a decrease of 2.27%. The county's cash balance increased from \$6,960,431 in FY 2016 to \$8,634,241, which represents an increase of 24.05%.

The county had \$16,965,526 in total revenues. Property tax revenues account for \$9,642,071 or 56.83% of total revenues. Program specific revenues in the form of charges for services and grants accounted for \$5,730,160 or 33.78% of total revenues.

The county had \$18,118,279 in total expenses which represents an increase of \$169,122 or 0.94% from the prior fiscal year, including compensated absences change in 2016. Expenses in the amount of \$5,730,160 were offset by program specific revenues in the form of charges for services and grants. With general revenues in the amount of \$11,235,366 a net decrease in net position occurred of \$1,233,552, including the prior period adjustment.

Among major funds, the General Fund had \$8,548,173 in revenues and \$8,060,198 in expenditures. The General Fund's fund balance increased \$708,365 over the prior year.

Among major funds, the County Wide Road Maintenance Fund had \$3,715,137 in revenues and \$1,738,190 in expenditures. The County Wide Road Maintenance Fund balance decreased \$268,621 from the prior year.

FINANCIAL HIGHLIGHTS - Continued

Among major funds, the Pride Mobility Fund had \$55,577 in revenues and \$158,530 in expenditures. The Pride Mobility Fund balance increased \$11 over the prior year.

The Solid Waste Fund had \$1,411,986 in revenues and \$1,304,865 in expenses. The Solid Waste Fund net position increased \$96,260 over the prior year, including the prior period adjustment.

Net investment in capital assets, decreased by \$1,586,967. This decrease is mainly due to the depreciation of assets.

Total long-term debt decreased by \$1,251,962, including prior period adjustment.

Net pension liability decreased \$817,807.

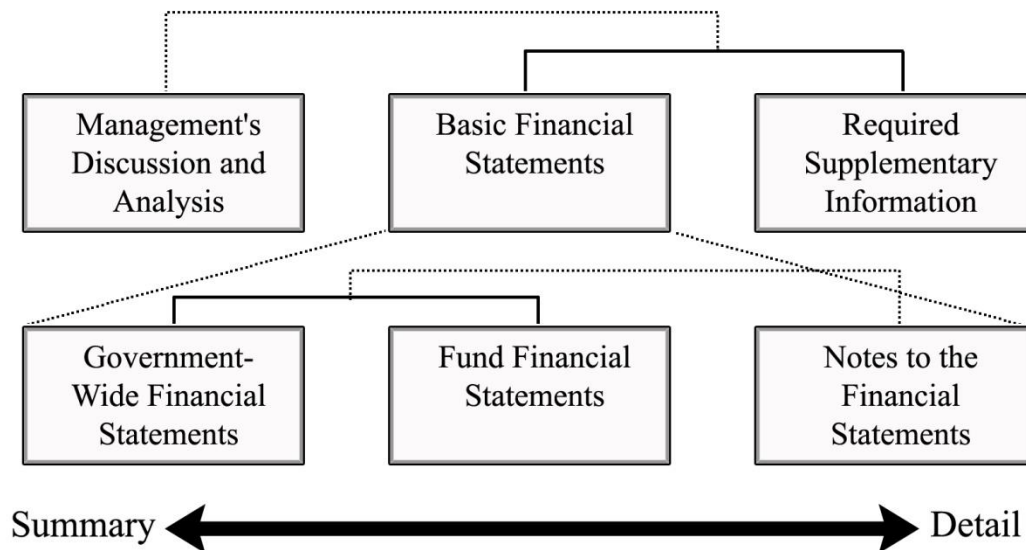
OVERVIEW OF THE FINANCIAL STATEMENTS

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 assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, 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 assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

The Government-wide Financial Statements can be found on pages 23 and 24 of this report.

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

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

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

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 25 and 27 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 29 through 31 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 32 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 59 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 63 through 68 of this report.

Additionally, a schedule of expenditures of federal awards is required by Uniform Guidance and can be found on page 71 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 \$53,089,891 as of September 30, 2017.

By far, the largest portion of the County's net position, 102.05%, 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

The following table presents a summary of the County's net position at September 30, 2017 and 2016.

	Governmental		Business-type		Total		Percent
	Activities		Activities		Total		Change
Assets:	<u>2017</u>	<u>2016*</u>	<u>2017</u>	<u>2016*</u>	<u>2017</u>	<u>2016*</u>	
Current assets	\$ 24,645,165	23,820,470	1,142,812	903,909	25,787,977	24,724,379	4.30%
Capital assets, net	58,298,665	60,230,962	302,372	396,440	58,601,037	60,627,402	-3.34%
Total assets	<u>\$ 82,943,830</u>	<u>84,051,432</u>	<u>1,445,184</u>	<u>1,300,349</u>	<u>84,389,014</u>	<u>85,351,781</u>	-1.13%
Deferred Outflows	\$ 1,321,029	2,937,760	82,768	257,582	1,403,797	3,195,342	-56.07%
Liabilities:							
Current liabilities	\$ 1,117,170	947,921	159,596	151,382	1,276,766	1,099,303	16.14%
Long-term debt	12,441,264	13,629,421	159,394	223,199	12,600,658	13,852,620	-9.04%
Net pension liability	9,874,296	10,610,323	1,097,142	1,178,922	10,971,438	11,789,245	-6.94%
Total liabilities	<u>\$ 23,432,730</u>	<u>25,187,665</u>	<u>1,416,132</u>	<u>1,553,503</u>	<u>24,848,862</u>	<u>26,741,168</u>	-7.08%
Deferred inflows	\$ 7,839,270	7,548,794	14,788	14,517	7,854,058	7,563,311	3.84%
Net position:							
Net Inv. in capital assets	\$ 54,024,290	55,580,813	153,658	184,102	54,177,948	55,764,915	-2.85%
Restricted	6,738,859	6,083,208	-	-	6,738,859	6,083,208	10.78%
Unrestricted	(7,770,290)	(7,411,288)	(56,626)	(194,191)	(7,826,916)	(7,605,479)	2.91%
Total net position	<u>\$ 52,992,859</u>	<u>54,252,733</u>	<u>97,032</u>	<u>(10,089)</u>	<u>53,089,891</u>	<u>54,242,644</u>	-2.13%

*2016 restated to include compensated absences.

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	\$ (7,826,916)
Less unrestricted deficit in net position resulting from recognition of GASB 68 and 71	<u>10,291,644</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,464,728</u>

Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee of \$10.00 per household. This business-type activity also furnishes various size dumpsters, varying collection schedules, and disposal of garbage at varying rates. This business-type activity generated \$1,408,592 in charges for services for the proprietary fund for the year ended September 30, 2017.

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

- The County work on replacing bridges and roads for \$516,567, started a T hanger for \$59,510, and acquired vehicles and equipment for \$647,587 during fiscal year 2017. Current year depreciation expense was \$3,216,113.
- The County issued \$2,885,475 of debt, \$2,595,000 for refunding bonds, \$290,475 for capital leases for mobile equipment and equipment. The County made \$4,148,938 in debt payments. The refunding resulted in an increase of \$20,881 in deferred outflows and \$21,726 in deferred inflows.
- The Ad Valorem Tax Fee-In-Lieu receivable decreased by \$743,787 due to receipt of payment and adjustment to estimated present value.
- The County's net pension liability decreased \$817,807 along with related deferred outflows decrease of \$1,748,154 and deferred inflows increase of \$2,713 and recognition of pension expense of \$1,603,419.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Changes in Net Positions – Pontotoc County’s total revenues for the fiscal year ended September 30, 2017 were \$16,965,526. The total cost for all services provided was \$18,118,279. The decrease in net position was \$1,233,552, 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, 2017 and 2016.

	Governmental Activities		Business-type Activities		Total		Percent Change
	<u>2017</u>	<u>2016*</u>	<u>2017</u>	<u>2016*</u>	<u>2017</u>	<u>2016*</u>	
Revenues:							
Program revenues							
Charges for services	\$ 1,529,955	1,549,846	1,408,592	1,316,420	2,938,547	2,866,266	2.52%
Operating grants and contributions	2,334,388	1,505,020	-	-	2,334,388	1,505,020	55.11%
Capital grants and contributions	457,225	203,382	-	-	457,225	203,382	124.81%
General revenues							
Property taxes	9,642,071	8,849,019	-	-	9,642,071	8,849,019	8.96%
Road & Bridge privilege taxes	389,796	386,909	-	-	389,796	386,909	0.75%
Ad Valorem tax fee on-lieu	241,416	747,726	-	-	241,416	747,726	-67.71%
Other Grants and contributions	500,149	526,331	-	-	500,149	526,331	-4.97%
Other	458,540	488,915	3,394	5,627	461,934	494,542	-6.59%
Total Revenues	\$ 15,553,540	14,257,148	1,411,986	1,322,047	16,965,526	15,579,195	8.90%
Expenses:							
General government	3,770,511	3,974,479	-	-	3,770,511	3,974,479	-5.13%
Public safety	3,794,078	3,783,837	-	-	3,794,078	3,783,837	0.27%
Public works	6,409,716	5,504,623	-	-	6,409,716	5,504,623	16.44%
Health and welfare	278,993	291,243	-	-	278,993	291,243	-4.21%
Culture and recreation	446,699	405,725	-	-	446,699	405,725	10.10%
Conservation of natural resources	106,972	101,871	-	-	106,972	101,871	5.01%
Economic development	110,666	590,565	-	-	110,666	590,565	-81.26%
Interest on long-term debt	452,702	454,395	-	-	452,702	454,395	-0.37%
Pension Expense	1,443,077	1,530,206	-	-	1,443,077	1,530,206	-5.69%
Solid waste collection & disposal	-	-	1,304,865	1,329,066	1,304,865	1,329,066	-1.82%
Total Expenses	\$ 16,813,414	16,636,944	1,304,865	1,329,066	18,118,279	17,966,010	0.85%
Increase (Decrease) in Net Position	\$ (1,259,874)	(2,379,796)	107,121	(7,019)	(1,152,753)	(2,386,815)	-51.70%

*2016 restated to include compensated absences.

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, Pension Expense 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>2017</u>	<u>2016*</u>	<u>2017</u>	<u>2016*</u>	<u>Change</u>
General government	\$	3,770,511	3,974,479	(2,994,043)	(3,098,244)	3.36%
Public safety		3,794,078	3,783,837	(2,810,800)	(2,860,782)	1.75%
Public works		6,409,716	5,504,623	(3,930,292)	(4,145,508)	5.19%
Health & welfare		278,993	291,243	(196,595)	(212,925)	7.67%
Culture and recreation		446,699	405,725	(446,699)	(405,725)	-10.10%
Conservation of natural recourses		106,972	101,871	(106,972)	(101,871)	-5.01%
Economic development		110,666	590,565	(110,666)	(569,040)	80.55%
Interest on long-term debt		452,702	454,395	(452,702)	(454,395)	0.37%
Pension Expense		1,443,077	1,530,206	(1,443,077)	(1,530,206)	5.69%
Solid Waste		1,304,865	1,329,066	103,727	(12,646)	920%

*2016 restated to include compensated absences

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 \$7,282,551, an increase of \$1,427,814.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$708,365.

Business-type funds – Revenue from the County's Garbage Collection Fund increased by 7.00% to \$1,408,592 and expenses decreased by 1.82% to \$1,304,865.

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, 2017, Pontotoc County's total capital assets were \$109,137,399. This includes land, infrastructure, buildings, mobile equipment, furniture and equipment, leased property under capital lease, and improvements other than buildings. This amount represents an increase from the previous year of \$1,127,304.

Total accumulated depreciation as of September 30, 2017 was \$50,536,362, including \$3,216,113 depreciation expense for the year. The balance in total net capital assets was \$58,601,037 at year-end.

Additional information on Pontotoc County's capital assets can be found in note 7 on pages 45 and 46 of this report.

Debt Administration – At September 30, 2017, Pontotoc County had \$12,600,658 in long-term debt outstanding. This is a decrease over prior year of \$1,251,962, including prior period adjustment for compensated absences, that is due to debt issues totaling \$2,595,000 in refunding bonds and 290,475 in capital leases, and \$4,137,437 in debt payments. Of this debt, \$1,790,622 is due within one year.

Additional information on Pontotoc County's long-term debt can be found in note 13 on pages 53 through 55 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Pontotoc County is planning some major capital projects, such as more economic development throughout our county with great expectations of a major Toyota Tier I supplier locating in our new industrial park. Major road and bridge projects are planned with State Aid Road funds, and the County recently secured \$900,000 in General Obligation Bonds for infrastructure improvement.

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. began manufacturing in its wholly-owned, vertically-integrated, lift chair manufacturing plant in October, 2016. The following excerpt is from a May 10, 2018 Pride Mobility Press Release:

“PRIDE MISSISSIPPI PLANT EXPERIENCES UNPRECEDENTED GROWTH: EXETER, PA – Pride Mobility is pleased to announce that its Pontotoc, Mississippi, power lift recliner (PLR) plant is experiencing unprecedented growth and production output with its made-in-the-USA PLRs.”

“Founded in 2016, Pride Mississippi is a vertically-integrated, wholly-owned power lift recliner manufacturing facility that embodies Made-in-the-USA craftsmanship and quality. From state-of-the-art sub-frame construction to hand-upholstered finish work, all is accomplished in-house, using the furniture industry's leading manufacturing technologies, with a workforce of true craftsmen.”

“When we opened Pride Mississippi, we made an investment not just in manufacturing the highest-quality power lift recliners, but also to invest in the local people of generational craftsmen who make it all possible,” shares Micah Swick, Director of Pride Sales. “The response from our customers has been tremendous, with growth and product demand that proves the strength of made-in-the-USA manufacturing in the PLR market.”

“Pride Mississippi has grown to 156 employees and 240,000 square feet, serving as a notable employer in the region.”

“Pride is an originator of power lift recliners in the U.S., going back 32 years,” explains Swick. “We're pleased that our made-in-the-USA roots continue flourishing at Pride Mississippi.”

CURRENT AND FUTURE ITEMS OF IMPACT - Continued

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.

According to the rates released by the MS Department of Employment Security on October 25, 2017, Pontotoc County has a relatively low unemployment rate of 3.7%, which compares favorably with the state average rate of 4.7% and national average rate of 4.2%.

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 two years remaining. Ashley Furniture committed to make the last payments for the last three years of Pontotoc County's pledge, thus adding \$100,000 annually back to the County's General Fund Budget.

Recent bond refinancing transactions will result in a major reduction of interest paid on the bonds throughout their remaining life.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

(This page intentionally left blank.)

Pontotoc County, Mississippi
Statement of Net Position
September 30, 2017

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 7,779,468	\$ 854,773	\$ 8,634,241
Property tax receivable	7,100,500	-	7,100,500
Accounts receivable, (net of allowance for uncollectibles of \$1,022,944)	-	154,527	154,527
Fines receivable, (net of allowance for uncollectibles of \$1,627,552)	247,334	-	247,334
Intergovernmental receivables	671,032	14,189	685,221
Other receivables	52,853	99,587	152,440
Internal balances	(19,736)	19,736	-
Capital lease receivable	3,042,652	-	3,042,652
Ad valorem tax fee in-lieu receivable, net	5,771,062	-	5,771,062
Capital assets:			
Land and construction in progress	3,719,502	-	3,719,502
Other capital assets, net	54,579,163	302,372	54,881,535
Total Assets	<u>\$ 82,943,830</u>	<u>\$ 1,445,184</u>	<u>\$ 84,389,014</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	\$ 744,903	\$ 82,768	\$ 827,671
Deferred outflows related to refunding	576,126	-	576,126
Total Deferred Outflows of Resources	<u>\$ 1,321,029</u>	<u>\$ 82,768</u>	<u>\$ 1,403,797</u>
LIABILITIES			
Claims payable	\$ 612,355	\$ 53,569	\$ 665,924
Intergovernmental payables	321,671	-	321,671
Accrued interest payable	54,461	-	54,461
Unearned revenue	-	106,027	106,027
Amounts held in custody for others	128,683	-	128,683
Long-term liabilities			
Net pension liability	9,874,296	1,097,142	10,971,438
Due within one year:			
Capital debt	864,248	65,151	929,399
Non-capital debt	861,223	-	861,223
Due in more than one year:			
Capital debt	3,409,376	83,563	3,492,939
Non-capital debt	7,306,417	10,680	7,317,097
Total Liabilities	<u>\$ 23,432,730</u>	<u>\$ 1,416,132</u>	<u>\$ 24,848,862</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 133,089	\$ 14,788	\$ 147,877
Property tax for future reporting period	7,100,500	-	7,100,500
Lease receivable interest	524,221	-	524,221
Deferred inflows related to refunding	81,460	-	81,460
Total Deferred Inflows of Resources	<u>\$ 7,839,270</u>	<u>\$ 14,788</u>	<u>\$ 7,854,058</u>
NET POSITION			
Net investment in capital assets	\$ 54,024,290	\$ 153,658	\$ 54,177,948
Restricted for:			
Expendable:			
Debt service	1,117,907	-	1,117,907
Public safety	1,392,177	-	1,392,177
Public works	3,342,357	-	3,342,357
Health and welfare	33,323	-	33,323
Culture and recreation	95,130	-	95,130
Economic development	757,965	-	757,965
Unrestricted	(7,770,290)	(56,626)	(7,826,916)
Total Net Position	<u>\$ 52,992,859</u>	<u>\$ 97,032</u>	<u>\$ 53,089,891</u>

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

Pontotoc County, Mississippi
Statement of Activities
For the Year Ended September 30, 2017

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,770,511	\$ 758,590	\$ 17,878	\$ -	\$ (2,994,043)		\$ (2,994,043)
Public safety	3,794,078	767,412	215,866	-	(2,810,800)		(2,810,800)
Public works	6,409,716	3,953	2,018,246	457,225	(3,930,292)		(3,930,292)
Health and welfare	278,993	-	82,398	-	(196,595)		(196,595)
Culture and recreation	446,699	-	-	-	(446,699)		(446,699)
Conservation of natural resources	106,972	-	-	-	(106,972)		(106,972)
Economic development and assistance	110,666	-	-	-	(110,666)		(110,666)
Interest on long-term debt	452,702	-	-	-	(452,702)		(452,702)
Pension expense	1,443,077	-	-	-	(1,443,077)		(1,443,077)
Total Governmental Activities	\$ 16,813,414	\$ 1,529,955	\$ 2,334,388	\$ 457,225	\$ (12,491,846)		\$ (12,491,846)
Business-type activities:							
Solid waste	\$ 1,304,865	\$ 1,408,592	\$ -	\$ -	\$ -	\$ 103,727	\$ 103,727
Total Business-type Activities	\$ 1,304,865	\$ 1,408,592	\$ -	\$ -	\$ -	\$ 103,727	\$ 103,727
Total Primary Government	\$ 18,118,279	\$ 2,938,547	\$ 2,334,388	\$ 457,225	\$ (12,491,846)	\$ 103,727	\$ (12,388,119)
General revenues:							
Taxes:							
Property taxes					\$ 9,642,071	\$ -	\$ 9,642,071
Road & bridge privilege taxes					389,796	-	389,796
Ad Valorem tax fee-in-lieu revenue					241,416	-	241,416
Grants and contributions not restricted to specific programs					500,149	-	500,149
Unrestricted investment income					129,689	2,717	132,406
Miscellaneous					328,851	677	329,528
Total General Revenues					\$ 11,231,972	\$ 3,394	\$ 11,235,366
Changes in Net Position					\$ (1,259,874)	\$ 107,121	\$ (1,152,753)
Net Position - Beginning, as previously reported					\$ 54,322,671	\$ 772	\$ 54,323,443
Prior period adjustment					(69,938)	(10,861)	(80,799)
Net Position - Beginning, as restated					\$ 54,252,733	\$ (10,089)	\$ 54,242,644
Net Position - Ending					\$ 52,992,859	\$ 97,032	\$ 53,089,891

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

Pontotoc County, Mississippi
Balance Sheet - Governmental Funds
September 30, 2017

Exhibit 3

	Major Funds			Other	Total
	General	County Wide	Pride Mobility	Governmental	Governmental
	Fund	Road Maintenance	Fund	Funds	Funds
		Fund			
ASSETS					
Cash	\$ 1,682,479	\$ 427,769	\$ 15,438	\$ 5,653,782	\$ 7,779,468
Property tax receivable	4,596,500	1,284,000	-	1,220,000	7,100,500
Fines receivable (net of allowance for uncollectibles of \$ 1,627,552)	247,334	-	-	-	247,334
Capital lease receivable	-	-	1,889,149	1,153,503	3,042,652
Intergovernmental receivables	450,780	52,757	-	167,495	671,032
Other receivables	12,246	-	-	40,607	52,853
Due from other funds	-	36,163	-	124,535	160,698
Advances to other funds	52,368	-	-	56,386	108,754
Total Assets	<u>\$ 7,041,707</u>	<u>\$ 1,800,689</u>	<u>\$ 1,904,587</u>	<u>\$ 8,416,308</u>	<u>\$ 19,163,291</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 175,623	\$ 11,474	\$ -	\$ 425,258	\$ 612,355
Intergovernmental payables	306,890	14,781	-	-	321,671
Due to other funds	102,885	-	-	57,813	160,698
Advances from other funds	76,122	-	-	52,368	128,490
Amounts held in custody for others	128,683	-	-	-	128,683
Total Liabilities	<u>\$ 790,203</u>	<u>\$ 26,255</u>	<u>\$ -</u>	<u>\$ 535,439</u>	<u>\$ 1,351,897</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	\$ 4,596,500	\$ 1,284,000	\$ -	\$ 1,220,000	\$ 7,100,500
Unavailable revenue - capital leases	-	-	1,889,149	1,153,503	3,042,652
Unavailable revenue - fines	247,334	-	-	-	247,334
Unavailable revenue - Intergovernmental receivable	138,357	-	-	-	138,357
Total Deferred Inflows of Resources	<u>\$ 4,982,191</u>	<u>\$ 1,284,000</u>	<u>\$ 1,889,149</u>	<u>\$ 2,373,503</u>	<u>\$ 10,528,843</u>
Fund balances:					
Nonspendable:					
Advances	\$ 52,368	\$ -	\$ -	\$ -	\$ 52,368
Restricted for:					
Public Safety	-	-	-	1,394,601	1,394,601
Public Works	-	490,434	-	2,852,218	3,342,652
Health and welfare	-	-	-	33,323	33,323
Culture and recreation	-	-	-	98,471	98,471
Economic development	-	-	15,438	471,409	486,847
Debt service	-	-	-	670,892	670,892
Unassigned	1,216,945	-	-	(13,548)	1,203,397
Total Fund Balances	<u>\$ 1,269,313</u>	<u>\$ 490,434</u>	<u>\$ 15,438</u>	<u>\$ 5,507,366</u>	<u>\$ 7,282,551</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,041,707</u>	<u>\$ 1,800,689</u>	<u>\$ 1,904,587</u>	<u>\$ 8,416,308</u>	<u>\$ 19,163,291</u>

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

Pontotoc County, Mississippi
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2017

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 7,282,551
Amounts reported for governmental services in the statement of net position (Exhibit 1) are different because:	
Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 49,679,689.	58,298,665
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Fine receivables, net	247,334
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	5,771,062
T.V.A in-lieu receivable	138,357
Capital leases are not available to pay for current period expenditures and, therefore are deferred in the funds.	2,518,431
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	(12,441,264)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(9,874,296)
Accrued interest payable is not due and payable in the current period and, therefore, is not recorded in the funds.	(54,461)
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	576,126
Deferred inflows of resources related to refunding	(81,460)
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	744,903
Deferred inflows of resources related to pensions	(133,089)
Total net position - governmental activities (Exhibit 1)	\$ <u><u>52,992,859</u></u>

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

Pontotoc County, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2017

Exhibit 4

	Major Funds			Other	Total
	General	County Wide	Pride Mobility	Governmental	Governmental
	Fund	Road Maintenance	Fund	Funds	Funds
		Fund			
REVENUES					
Property taxes	\$ 6,201,113	\$ 1,737,930	\$ -	\$ 1,703,028	\$ 9,642,071
Road and bridge privilege taxes	-	-	-	389,796	389,796
Licenses, commissions and other revenue	432,319	-	-	52,892	485,211
Fines and forfeitures	417,318	-	-	-	417,318
Intergovernmental revenues	936,032	1,974,224	-	398,460	3,308,716
Charges for services	276,960	-	-	430,657	707,617
In lieu tax - Toyota	48,636	-	-	936,567	985,203
Interest income	13,357	2,983	55,577	57,772	129,689
Miscellaneous revenues	222,438	-	-	63,332	285,770
Total Revenues	\$ 8,548,173	\$ 3,715,137	\$ 55,577	\$ 4,032,504	\$ 16,351,391
EXPENDITURES					
Current:					
General government	\$ 3,742,978	\$ -	\$ -	\$ 64	\$ 3,743,042
Public safety	3,489,398	-	-	549,860	4,039,258
Public works	15,968	1,722,007	-	3,137,991	4,875,966
Health and welfare	268,433	-	-	-	268,433
Culture and recreation	195,398	-	-	190,825	386,223
Conservation of natural resources	106,972	-	-	-	106,972
Economic development and assistance	-	-	-	110,666	110,666
Debt service:					
Principal	213,025	14,181	94,964	1,248,143	1,570,313
Interest	28,026	2,002	63,566	302,840	396,434
Bond Issue Cost	-	-	-	80,845	80,845
Total Expenditures	\$ 8,060,198	\$ 1,738,190	\$ 158,530	\$ 5,621,234	\$ 15,578,152
Excess of Revenues over (under) Expenditures	\$ 487,975	\$ 1,976,947	\$ (102,953)	\$ (1,588,730)	\$ 773,239
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	\$ 144,025	\$ 146,450	\$ -	\$ -	\$ 290,475
Refunding bonds issued	-	-	-	2,595,000	2,595,000
Proceeds from sale of capital assets	25,600	-	-	26,981	52,581
Premium on bonds issued	-	-	-	21,726	21,726
Compensation for loss of capital assets	8,633	-	-	-	8,633
Transfers in	59,655	-	-	3,539,235	3,598,890
Transfers out	(17,523)	(2,392,018)	-	(1,189,349)	(3,598,890)
Lease principal payments	-	-	102,964	119,077	222,041
Payment to bond refunding escrow agent	-	-	-	(2,535,881)	(2,535,881)
Total Other Financing Sources and Uses	\$ 220,390	\$ (2,245,568)	\$ 102,964	\$ 2,576,789	\$ 654,575
 Net Changes in Fund Balances	 \$ 708,365	 \$ (268,621)	 \$ 11	 \$ 988,059	 \$ 1,427,814
Fund Balances - Beginning	\$ 560,948	\$ 759,055	\$ 15,427	\$ 4,519,307	\$ 5,854,737
Fund Balances - Ending	\$ 1,269,313	\$ 490,434	\$ 15,438	\$ 5,507,366	\$ 7,282,551

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

Pontotoc County, Mississippi
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 1,427,814
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 \$1,223,664 was exceeded by depreciation of \$3,122,045 in the current period.	(1,898,381)
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$27,298 and the proceeds for the sale and insurance proceeds of \$61,214.	(33,916)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because recognition is required on the Statement of Activities using the full-accrual basis of accounting.	(80,191)
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	(743,787)
T.V.A. in lieu of tax	(16,954)
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.	(222,041)
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 \$4,085,314 exceeded debt proceeds of \$2,885,475 and bond discount amortization of \$16,294.	1,183,545
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by the following item:	
The amount of decrease in accrued interest	14,978
The amount of decrease in compensated absences	4,612
Deferred outflow on bond refunding	20,881
Amortization of deferred outflow on bond refunding	(64,272)
Deferred inflow Premium on bond refunding	(21,726)
Amortization of deferred inflow on bond refunding	9,319
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	(1,443,077)
Recording of contributions made before the measurement date	453,413
Recording of contributions made subsequent to the measurement date	149,909
Change in net position of governmental activities (Exhibit 2)	<u>\$ (1,259,874)</u>

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

Pontotoc County, Mississippi
Statement of Net Position - Proprietary Fund
September 30, 2017

Exhibit 5

	Business - Type Activities Enterprise Fund Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 854,773
Intergovernmental receivables	14,189
Accounts receivable, (net of allowance for uncollectibles of \$1,022,944)	154,527
Other receivables	99,587
Advances to other funds	19,736
Total Current Assets	\$ 1,142,812
Noncurrent assets:	
Capital assets:	
Other capital assets, net	\$ 302,372
Total Noncurrent Assets	\$ 302,372
Total Assets	\$ 1,445,184
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	\$ 82,768
Total Deferred Outflows of Resources	\$ 82,768
LIABILITIES	
Current liabilities:	
Claims payable	\$ 53,569
Unearned revenue	106,027
Current portions of long-term capital-related debt:	
Capital leases payable	65,151
Total Current Liabilities	\$ 224,747
Noncurrent liabilities:	
Net Pension Liability	\$ 1,097,142
Capital related debt:	
Capital leases payable	83,563
Non-capital related debt:	
Compensated absences payable	10,680
Total Noncurrent Liabilities	1,191,385
Total Liabilities	\$ 1,416,132
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	\$ 14,788
Total Deferred Inflows of Resources	\$ 14,788
NET POSITION	
Net investment in capital assets	\$ 153,658
Unrestricted	(56,626)
Total Net Position	\$ 97,032

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

Pontotoc County, Mississippi
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2017

Exhibit 6

	Business-type Activities Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 1,408,592
Total Operating Revenues	\$ 1,408,592
Operating Expenses	
Personal services	\$ 583,474
Contractual services	283,706
Materials and supplies	156,919
Depreciation expense	94,068
Indirect administrative cost	22,000
Pension expense	160,342
Total Operating Expenses	\$ 1,300,509
Operating Income (Loss)	\$ 108,083
Nonoperating Revenues (Expenses)	
Interest income	\$ 2,717
Interest expense	(4,356)
Other income (expense)	677
Net Nonoperating Revenue (Expenses)	\$ (962)
Changes in Net Position	\$ 107,121
Net Position - Beginning, as previously reported	\$ 772
Prior period adjustment	(10,861)
Net Position - Beginning, as restated	\$ (10,089)
Net Position - Ending	\$ 97,032

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

Pontotoc County, Mississippi
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2017

Exhibit 7

	Business-type Activities Enterprise Funds
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,363,398
Payments to suppliers	(435,566)
Payments to/for employees	(672,692)
Net Cash Provided (Used) by Operating Activities	\$ 255,140
Cash Flows From Noncapital Financing Activities	
Other receipts	\$ 677
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 677
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (63,624)
Interest expense	(4,356)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (67,980)
Cash Flows From Investing Activities	
Interest and dividends on investments	\$ 2,717
Net Cash Provided (Used) by Investing Activities	\$ 2,717
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 190,554
Cash and Cash Equivalents at Beginning of Year	664,219
Cash and Cash Equivalents at End of Year	\$ 854,773
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 108,083
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 94,068
Provision for uncollectible accounts	(59,102)
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivable	12,478
(Increase) decrease in accounts receivable	(2,453)
(Increase) decrease in other receivables	728
(Increase) decrease in deferred outflows - pensions	174,814
Increase (decrease) in claims payable	5,059
Increase (decrease) in compensated absences liability	(181)
Increase (decrease) in unearned revenue	3,155
Increase (decrease) in net pension liability	(81,780)
Increase (decrease) in deferred inflows - pensions	271
Total Adjustments	\$ 147,057
Net Cash Provided (Used) by Operating Activities	\$ 255,140

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

Pontotoc County, Mississippi
Statement of Fiduciary Assets and Liabilities
September 30, 2017

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 640,502
Intergovernmental receivables	<u>2,785,371</u>
Total Assets	<u>\$ 3,425,873</u>
LIABILITIES	
Intergovernmental payables	\$ <u>3,425,873</u>
Total Liabilities	<u>\$ 3,425,873</u>

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

Management has chosen to omit from these financial statements the following component 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 conformity 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.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies – Continued.

B. Basis of Presentation – Continued.

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

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be 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/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

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

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

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies – Continued.

C. Measurement Focus and Basis of Accounting – Continued.

The county reports the following major Governmental Funds:

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

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

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

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies – Continued.

C. Measurement Focus and Basis of Accounting – Continued.

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Use of Estimates.

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

F. Deposits and Investments.

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

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

G. Receivables.

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies – Continued.

H. Interfund Transactions and Balances - continued.

However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

I. Capital Assets

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

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

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

	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 lives will correspond with the amounts for the asset classification, as listed above.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies – Continued.

J. Deferred Outflow/Inflows of Resources

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

Deferred amount on refunding – For current refundings and advance refundings 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

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

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

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

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

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

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

Unavailable revenue – capital leases – These amounts represent capital lease receivables, including interest, that are not available to pay for current period expenditures and therefore are deferred in the funds.

Unavailable revenue – intergovernmental receivables – This amount represent receivables that are not available to pay for current expenditures and is therefore deferred in the funds.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies – Continued.

K. Pensions.

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

L. Long-term liabilities.

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

In the Government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Fund Statement of Net Position. 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 the 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.

M. 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, constructions or improvements of those assets.

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

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

Net Position Flow Assumption:

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies – Continued.

M. Equity Classifications - continued

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.

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.

N. Property Tax Revenues.

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

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

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies – Continued.

O. 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.

P. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

Q. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes

(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>
To record beginning balance of compensated absences	\$ <u>(69,938)</u>
Total prior period adjustment(s)	\$ <u><u>(69,938)</u></u>

Exhibit 2 – Statement of Activities – Business-type Activities.

<u>Explanation</u>	<u>Amount</u>
To record beginning balance of compensated absences	\$ <u>(10,861)</u>
Total prior period adjustment(s)	\$ <u><u>(10,861)</u></u>

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

<u>Explanation</u>	<u>Amount</u>
To record beginning balance of compensated absences	\$ <u>(10,861)</u>
Total prior period adjustment(s)	\$ <u><u>(10,861)</u></u>

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2017, was \$9,274,743, and the bank balance was \$9,593,540. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2017:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
County Wide Rd. Maintenance Fund	1 General Fund	\$ 36,163
Other Governmental Funds	1 General Fund	66,722
Other Governmental Funds	2 Other Governmental Funds	57,813
Total		<u>\$ 160,698</u>

1. These receivables represent the tax revenue collected but not settled until October 2017
2. This receivable represents 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.

B. Advances From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	1 Other Governmental Funds	\$ 52,368
Solid Waste	1 General Fund	19,736
Other Governmental Funds	1 General Fund	56,386
Total		<u>128,490</u>

1. These advances represent posting errors that have not yet been corrected

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(4) Interfund Transactions and Balances – Continued

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 59,655
Other Governmental Funds	General Fund	17,523
Other Governmental Funds	County Wide District Rd Fund	2,392,018
Other Governmental Funds	Other Governmental Funds	1,129,694
Total		<u>\$ 3,598,890</u>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2017 consisted of the following:

Governmental Activities:

Description	Amount
Legislative Tax Credit	\$ 154,816
T.V.A. In Lieu of Tax	138,358
Mississippi Department of Corrections	43,582
Mississippi Emergency Management	28,508
The PUL Alliance	102,855
Motor Vehicle Fuel Tax	48,681
Motor Vehicle License Tax	30,330
Mississippi Department of Human Services	39,403
Mississippi State Aid Road	43,631
Other	40,868
Total Governmental Activities	<u>\$ 671,032</u>

Business-type Activities:

Garbage Collection Fees	\$ 14,189
Total Business-type Activities	<u>\$ 14,189</u>

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(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 of each succeeding year. The fee payment shall expire after the 2026 payment or, if the Public Bonds are retired sooner than 2026, it shall expire in the year of retirement. Pontotoc County's portion of this annual payment is one third or \$ 833,333.

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2017, is as follows:

Ad Valorem Tax Fee-In-Lieu Receivable	\$ <u>5,771,062</u>
September 30,	
2018	\$ 833,333
2019	833,333
2020	833,333
2021	833,333
2022	833,333
Due in six to nine years	<u>3,333,335</u>
Total	\$ 7,500,000
Less: Discount to present value	<u>1,728,938</u>
Net receivable	\$ <u>5,771,062</u>

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2017:

Governmental activities:

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments*	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 3,445,959	\$ -	\$ 13,495	\$ -	\$ 3,432,464
Construction in progress	-	287,038	-	-	287,038
Total non-depreciable capital assets	\$ 3,445,959	\$ 287,038	\$ 13,495	\$ -	\$ 3,719,502
<u>Depreciable capital assets:</u>					
Infrastructure	\$ 73,790,679	\$ 289,039	\$ 28,000	\$ -	\$ 74,051,718
Buildings	16,099,109	-	-	-	16,099,109
Improvements other than buildings	2,741,481	-	-	-	2,741,481
Mobile equipment	9,102,551	357,112	54,865	1 206,311	9,611,109
Furniture and equipment	1,224,518	-	-	-	1,224,518
Leased property under capital leases	446,753	290,475	-	1 (206,311)	530,917
Total depreciable capital assets	\$103,405,091	\$ 936,626	\$ 82,865	\$ -	\$ 104,258,852
<u>Less accumulated depreciation for:</u>					
Infrastructure	\$ 30,794,944	\$ 2,428,721	\$ 13,067	\$ -	\$ 33,210,598
Buildings	5,629,406	277,641	-	-	5,907,047
Improvements other than buildings	1,239,178	110,487	-	-	1,349,665
Mobile equipment	7,731,521	200,590	49,377	1 81,427	7,964,161
Furniture and equipment	1,067,615	9,041	-	-	1,076,656
Leased property under capital leases	157,424	95,565	-	1 (81,427)	171,562
Total accumulated depreciation	\$ 46,620,088	\$ 3,122,045	\$ 62,444	\$ -	\$ 49,679,689
Total depreciable capital assets, net	\$ 56,785,003	\$ (2,185,419)	\$ 20,421	\$ -	\$ 54,579,163
Governmental activities capital assets, net	\$ 60,230,962	\$ (1,898,381)	\$ 33,916	\$ -	\$ 58,298,665

Adjustments:

1 - To reclassify paid off leased assets.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(7) Capital Assets – Continued.

Business-type activities:

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments*	Balance Sept. 30, 2017
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 899,983	\$ -	\$ -	\$ -	\$ 899,983
Leased property under capital leases	259,062	-	-	-	259,062
Total depreciable capital assets	\$ 1,159,045	\$ -	\$ -	\$ -	\$ 1,159,045
<u>Less accumulated depreciation for:</u>					
Mobile equipment	\$ 692,643	\$ 47,436	\$ -	\$ -	\$ 740,079
Leased property under capital leases	69,962	46,632	-	-	116,594
Total accumulated depreciation	\$ 762,605	\$ 94,068	\$ -	\$ -	\$ 856,673
Total depreciable capital assets, net	\$ 396,440	\$(94,068)	\$ -	\$ -	\$ 302,372
Business-type activities capital assets, net	\$ 396,440	\$(94,068)	\$ -	\$ -	\$ 302,372

*Adjustments are for reclassifications of paid off leased assets.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 270,368
Public safety	93,654
Public works	2,680,735
Health and Welfare	10,560
Culture and Recreation	66,728
Total governmental activities depreciation expense	\$ 3,122,045
<u>Business-type activities:</u>	
Solid waste	\$ 94,068
Total business-type activities depreciation expense	\$ 94,068

Commitments with respect to unfinished capital projects at September 30, 2017, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Eight Bay T Hanger at Airport	\$ 470,806	09/2018
Rock Hill Bridge Replacement	\$ 3,742	11/2017

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(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, 2017, to January 1, 2018. 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, 2017:

Southern Motion, Inc.

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

KC Integrated Services, LLC

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(10) Capital Leases – Continued

Pride Mobility Product Corporation

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

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2017, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 230,255	\$ 88,295
2019	238,952	79,597
2020	247,894	70,654
2021	203,060	61,988
2022	199,297	55,052
2023-2027	1,103,251	160,508
2028-2029	<u>295,722</u>	<u>8,127</u>
Total	<u>\$ 2,518,431</u>	<u>\$ 524,221</u>

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(10) Capital Leases - Continued.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 530,917	259,062
Equipment – below capital threshold	213,920	-
Total	\$ 744,837	259,062
Less: Accumulated depreciation	171,562	116,594
Leased Property Under Capital Leases	\$ 573,275	142,468

The following is a schedule by years of the total payments due as of September 30, 2017:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 190,393	\$ 11,527	\$ 65,151	\$ 2,829
2019	180,717	6,824	63,884	1,265
2020	131,498	2,997	19,679	158
2021	41,378	334	-	-
2022	-	-	-	-
Total	\$ 543,986	\$ 21,682	\$ 148,714	\$ 4,252

(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.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(12) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Pontotoc County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

Contributions. At September 30, 2017, 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, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ended September 30, 2017, 2016, and 2015 were \$670,359, \$668,501 and \$638,456 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, 2017, the County reported a liability of \$10,971,438 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017 net pension liability was 0.066 percent, which was based on a measurement date of June 30, 2017. This was a 0.00 percent change from its proportion share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(12) Defined Benefit Pension Plan – Continued.

For the year ended September 30, 2017, the County recognized pension expense of \$1,603,419. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 156,365	\$ 80,055
Net difference between projected and actual earnings on pension plan investments	140,411	-
Changes of assumptions	236,803	18,695
Changes in the County's proportion and differences between the County's contributions and proportionate share of contributions	127,527	49,127
County contributions subsequent to the measurement date	166,565	-
Total	\$ 827,671	\$ 147,877

\$166,565 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2018	\$ 506,216
2019	208,951
2020	9,990
2021	(211,928)
Total	\$ 513,229

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.25 - 18.50 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 2022, with males rates set forward one year.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(12) Defined Benefit Pension Plan – Continued.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U. S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.50
Cash	1.00	0.00
Total	<u>100.00 %</u>	

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

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 14,389,776	\$ 10,971,438	\$ 8,133,478

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(13) Long-term Debt.

Debt outstanding as of September 30, 2017, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Pontotoc County G.O. Road and Bridge Bonds, Series 2015	\$ 92,910	1.90	07/2020
Pontotoc County G.O. Refunding Bonds 2015	5,855,000	3.00-3.50	06/2026
Pontotoc County G.O. Refunding Bonds 2016	2,325,000	2.00-2.50	09/2025
Total General Obligation Bonds	<u>8,272,910</u>		
B. Capital Leases:			
8 Ford F-150's	84,951	1.74	07/2019
Dodge Truck	17,064	2.40	03/2019
Tractor	16,316	2.40	08/2019
Volunteer Fire Equipment	149,360	2.60	03/2021
5 Sheriff Trucks	144,026	2.49	09/2020
Tar Truck	132,269	2.80	03/2021
Total Capital Leases	<u>\$ 543,986</u>		
C. Other Loans:			
Building Loan (Child Services Building)	\$ 396,000	0.00	09/2025
Certificates of Participation (Extension Building)	201,000	3.99	11/2018
Economic Development Loan (Southern Motion)	188,689	4.00-5.00	11/2020
Equipment Loan – 6 fire trucks	149,890	3.19	04/2020
TVA Loan*	470,625	3.00	06/2030
Building Loan (Fair Extension Building)	94,213	3.50	11/2026
CAPS Loan	537,652	3.00	01/2027
Economic Development Loan (Pride Mobility)	1,263,522	4.05-4.75	10/2029
Economic Development Loan (Pride Mobility)	257,451	3.00	02/2030
Total Other Loans	<u>\$ 3,559,042</u>		
Business-type Activities:			
A. Capital Leases:			
Garbage Truck	\$ 63,611	2.35	08/2019
Garbage Truck	85,103	2.40	04/2020
Total Capital Leases	<u>\$ 148,714</u>		

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(13) Long-term Debt – Continued.

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2018	\$ 950,389	\$ 226,640	\$ 584,689	\$ 110,545
2019	970,966	201,113	405,377	92,108
2020	996,555	175,025	312,178	80,253
2021	995,000	148,225	268,374	70,559
2022	1,025,000	121,225	265,493	62,736
2023 – 2027	3,335,000	195,450	1,304,436	187,458
2028 – 2030	-	-	418,495	17,878
Total	\$ 8,272,910	\$ 1,067,678	\$ 3,559,042	\$ 621,537

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, 2017, the amount of outstanding debt was equal to 1.46% of the latest property assessments.

Current Refunding – On November 22, 2016, the County issued \$2,595,000 in general obligation refunding bonds with an average interest rate of 2.035% to refund \$2,515,000 of the following outstanding bond issues:

Issue	Average Interest Rate	Outstanding Amount Refunded
Pontotoc County G.O. Bonds, Series 2005	4.0%	\$ 2,515,000

The County refunded the above bonds to reduce its total debt service payments over the next 9 years by almost \$153,440 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$144,960.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2017, \$5,790,000 of bonds outstanding were considered defeased.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(13) Long-term Debt – Continued.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

	Restated Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 69,938	\$ -	\$ 4,612	\$ 65,326	-
General obligation bonds	9,117,733	2,595,000	3,439,823	8,272,910	950,389
Capital leases	397,785	290,475	144,274	543,986	190,393
Other loans	4,060,259	-	501,217	3,559,042	584,689
Less deferred amount:					
Premium on issuance	-	-	-	-	-
Discount on issuance	(16,294)	-	(16,294)	-	-
Total	\$ 13,629,421	\$ 2,885,475	\$ 4,073,632	\$ 12,441,264	\$ 1,725,471
Business-type Activities:					
Compensated absences	\$ 10,861	\$ -	\$ 181	\$ 10,680	-
Capital leases	212,338	-	63,624	148,714	65,151
Total	\$ 223,199	\$ -	\$ 63,805	\$ 159,394	\$ 65,151

Restated October 1, 2016 balance to include compensated absences.

(14) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2017:

Fund	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.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

- (15) Contingencies - continued.

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by Three Rivers Solid Waste Management Authority for \$8,210,000. In fiscal year 2012, the bonds were refinanced. The bonds were reissued for \$4,235,000. As part of a solid waste disposal service agreement between Pontotoc County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share of the \$2,285,000 refunding bonds balance at September 30, 2017 was \$386,165.

- (16) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of \$(7,770,290) includes the effect of deferred inflows/outflows of resources related to pension. A portion of the deferred outflow of resources related to pension in the amount of \$149,908 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, 2018. The \$594,995 balance of deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years. The \$133,089 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next four years.

The governmental activities' unrestricted net position amount of \$(7,770,290) includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. The \$557,565 balance of deferred outflows of resources related to the advance refunding at September 30, 2017, will be recognized as an expense and will decrease unrestricted net position over the next nine years. The \$62,149 balance of the deferred inflow of resources related to an advance refunding at September 30, 2017, will be recognized as a reduction in interest expense and increase unrestricted net position over the next nine years.

The governmental activities' unrestricted net position amount of \$(7,770,290) includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$524,221 balance of deferred inflows of resources at September 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next twelve years.

The governmental activities' net investment in capital assets amount of \$54,024,290 includes the effect of deferring the recognition of expenditures resulting from a refunding of County debt. The \$18,561 balance of deferred outflows of resources related to the refunding at September 30, 2017, will be recognized as an expense and will decrease net investment in capital assets over the next eight years. The \$19,311 balance of the deferred inflow of resources related to a refunding at September 30, 2017, will be recognized as a reduction in interest expense and increase net investment in capital assets over the next eight years.

The business-type activities' unrestricted net position amount of \$(56,626) 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 \$16,657 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, 2018. The \$66,111 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years. The \$14,788 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next four years.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

(17) Joint Venture.

The county participates in the following joint ventures:

Pontotoc County is a participant with Calhoun County and Chickasaw County in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Dixie Regional Library System. The regional library was created to provide free public library service for the respective counties. The regional library is governed by a five-member board appointed by the Boards of Supervisors: two from the library board of Pontotoc County, one from the library board of Chickasaw County, and two from the library board of Calhoun County. The county appropriated \$ 181,200 to the library in fiscal year 2017. Complete financial statements for the regional library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, Mississippi 38863.

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

Pontotoc County is a participant in a joint venture with the counties of Union and Chickasaw and the municipalities of New Albany, Pontotoc, Houston, New Houlka, Ecu and Algoma, as the GM&O Rails to Trails Recreational District of North Mississippi (GM&O), as authorized by Section 55-25-1, Miss. Code Ann. (1972) which governs the Tanglefoot Trail, which is a multi-use recreational trail for hikers, equestrians, walkers, runners, skaters, cyclists, and other such uses. Pontotoc County appoints one member of the nine-member Board of GM&O and agreed to pledge on an annual basis, for a period of 15 years, an amount equal to ¼ of a mill from their General fund, or from any other available source as determined by the County, to GM&O for the purpose of servicing debt. Any funds over the amount needed for debt will be retained by GM&O for operating and maintenance expenses. Three Rivers Planning and Development District is the administrator and fiscal agent of the program. The County contributed \$30,000 to this venture in fiscal year 2017.

(18) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Three Rivers Planning and Development District operates in a district composed of the Counties of Pontotoc, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Calhoun and Union. The Pontotoc County Board of Supervisors appoints five of the 40 members of the board of directors. The county contributed \$40,000 for support of the district in fiscal year 2017.

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 \$29,400 for support of the commission in fiscal year 2017.

Itawamba Community College operates in a district composed of the Counties of Itawamba, Lee, Chickasaw, Pontotoc and Monroe. The Pontotoc County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county provided approximately \$1,039,803 by tax levy as an appropriation for maintenance and support of the college in fiscal year 2017.

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Pontotoc, Itawamba, Lafayette, Lee, Monroe, Calhoun and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. Each of these entities appoints one of the 14 board members. The entity is fiscally independent of all other entities as it can set its own budget, issue debt and set rates and charges. Members are billed based on the volume of solid waste received from each member. The county did not appropriate any funds for the support of the authority in fiscal year 2017.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(18) Jointly Governed Organizations - continued.

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Pontotoc County Board of Supervisors appoints four of the 36 members of the board of directors. The county contributed \$40,340 for support of the district in fiscal year 2017.

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 \$ 5,500 for support of Lift, Inc. in fiscal year 2017.

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 2017.

(19) Tax Abatements.

On October 1, 2016, Pontotoc County implemented Governmental Accounting Standards Board Statement 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The County requires the corresponding state law, under which the abatement is granted, requirements to be met in order to grant the exemption. All abatements are for ten years and are for economic development.

The County has two types of abatements, none of which provide for the abatement of school or state taxes:

Section 27-31-101, Miss. Code Ann. (1972) – *Enumeration of new enterprises which may be exempted.*

Section 27-31-105, Miss. Code ann. (1972) – *Additions to or expansions of facilities or properties or replacement of equipment used in connection with certain enterprises.*

Type of Tax	Description	Amount of Taxes Abated during Fiscal Year
Personal Property Ad Valorem	Equipment, Raw Materials, Inventory and Work in Process	\$ 377,791
Real Property Ad Valorem	New Construction and Additions	\$ 170,078

There are 19 companies that have tax abatements under these statutes. The companies were not required to comply with any special provisions in order to receive the abatements and the County made no commitments as part of the agreement other than to reduce tax.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

(20) State Compliance Reports.

The Office of the State Auditor, for fiscal year September 30, 2017, has performed the compliance testing for the County. 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 have been omitted from this report as the compliance testing was not performed by the accounting firm that audited the financial statements.

(21) 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 December 11, 2018, (the date the financial statements were available to be issued,) and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2017, the county issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/22/2017	2.89%	49,157	Capital Lease	Ad valorem taxes
2/17/2018	2.69%	133,240	Capital Lease	Solid waste fees
4/27/2018	2.69%	288,022	Capital Lease	Ad valorem taxes
5/11/2018	2.69%	137,000	Capital Lease	Ad valorem taxes
6/25/2018	2.50%	600,000	GO Bonds	Ad valorem taxes
6/25/2018	2.50%	375,000	GO Bonds	Ad valorem taxes
7/31/2018	2.69%	25,676	Capital Lease	Ad valorem taxes
9/24/2018	2.25%	433,693	Loan	Ad valorem taxes

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

Pontotoc County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2017
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,969,175	\$ 6,198,892	\$ 6,198,892	\$ -
Licenses, commissions and other revenue	428,500	484,966	484,966	-
Fines and forfeitures	387,000	413,564	413,564	-
Intergovernmental revenues	904,000	1,126,813	1,126,813	-
Charges for services	125,000	280,700	280,700	-
In lieu tax - Toyota	-	34,958	34,768	(190)
Interest income	8,000	12,885	13,281	396
Miscellaneous revenues	410,000	368,650	368,628	(22)
Total Revenues	<u>\$ 8,231,675</u>	<u>\$ 8,921,428</u>	<u>\$ 8,921,612</u>	<u>\$ 184</u>
EXPENDITURES				
Current:				
General government	\$ 4,411,203	\$ 4,109,347	\$ 4,109,347	\$ -
Public safety	3,052,015	3,341,835	3,341,835	-
Public works	6,000	6,154	6,154	-
Health and welfare	293,305	269,392	269,392	-
Culture and recreation	193,000	194,330	194,330	-
Conservation of natural resources	106,952	107,147	107,147	-
Economic development and assistance	50,000	-	-	-
Debt service:				
Principal	268,645	212,866	212,866	-
Interest	39,055	28,186	28,186	-
Total Expenditures	<u>\$ 8,420,175</u>	<u>\$ 8,269,257</u>	<u>\$ 8,269,257</u>	<u>\$ -</u>
Excess of Revenues over (under) Expenditures	<u>\$ (188,500)</u>	<u>\$ 652,171</u>	<u>\$ 652,355</u>	<u>\$ 184</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	\$ -	\$ 25,600	\$ 25,600	\$ -
Insurance proceeds	-	1,164	1,164	-
Transfers in	300,000	59,655	59,655	-
Transfers out	(604,500)	(17,523)	(17,523)	-
Total Other Financing Sources and Uses	<u>\$ (304,500)</u>	<u>\$ 68,896</u>	<u>\$ 68,896</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ (493,000)	\$ 721,067	\$ 721,251	\$ 184
Fund Balances - Beginning	200,000	361,482	552,167	190,685
Fund Balances - Ending	<u>\$ (293,000)</u>	<u>\$ 1,082,549</u>	<u>\$ 1,273,418</u>	<u>\$ 190,869</u>

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

Pontotoc County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County Wide Road Maintenance Fund
For the Year Ended September 30, 2017
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,725,000	\$ 1,738,602	\$ 1,738,602	\$ -
Intergovernmental revenues	550,000	641,678	641,678	-
Interest income	1,000	2,854	2,983	129
Miscellaneous revenues	200,000	133,285	133,285	-
Total Revenues	<u>\$ 2,476,000</u>	<u>\$ 2,516,419</u>	<u>\$ 2,516,548</u>	<u>\$ 129</u>
EXPENDITURES				
Current:				
Public works	\$ 476,000	\$ 378,622	\$ 378,622	\$ -
Debt service:				
Principal	-	14,181	14,181	-
Interest	-	2,002	2,002	-
Total Expenditures	<u>\$ 476,000</u>	<u>\$ 394,805</u>	<u>\$ 394,805</u>	<u>\$ -</u>
Excess of Revenues over (under) Expenditures	<u>\$ 2,000,000</u>	<u>\$ 2,121,614</u>	<u>\$ 2,121,743</u>	<u>\$ 129</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,000,000)	\$ (2,392,018)	\$ (2,392,018)	\$ -
Total Other Financing Sources and Uses	<u>\$ (2,000,000)</u>	<u>\$ (2,392,018)</u>	<u>\$ (2,392,018)</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ -	\$ (270,404)	\$ (270,275)	\$ 129
Fund Balances - Beginning	200,000	716,603	698,044	(18,559)
Fund Balances - Ending	<u>\$ 200,000</u>	<u>\$ 446,199</u>	<u>\$ 427,769</u>	<u>\$ (18,430)</u>

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

Pontotoc County, Mississippi
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.066%	0.066%	0.064%	0.066%
County's proportionate share of the net pension liability (asset)	\$ 10,971,438	11,789,245	9,893,138	8,011,192
County's covered payroll	\$ 4,256,235	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 payroll	257.77%	279.35%	244.05%	199.37%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

Pontotoc County, Mississippi
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 670,359	668,501	638,456	632,865
Contributions in relation to the contractually required contribution	<u>670,359</u>	<u>668,501</u>	<u>638,456</u>	<u>632,865</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 4,256,235	4,244,122	4,053,685	4,018,172
Contributions as a percentage of covered payroll	15.75%	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, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2017

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 Rd Maintenance Fund
Net Change in Fund Balance-Budget (Cash Basis)	\$ 721,251	\$ (270,275)
Increase (Decrease)		
Net adjustments for revenue accruals	(365,970)	(162,300)
Net adjustments for expenditure accruals	353,084	163,954
Net Change in Fund Balance-GAAP Basis	\$ 708,365	\$ (268,621)

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2017

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 3.5% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual and anticipated experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

B. Change in benefit provisions

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.

SUPPLEMENTAL INFORMATION

(This page intentionally left blank.)

PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditure
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	\$ 2,415
Total Forest Services Schools and Roads Cluster			\$ 2,415
U.S. Department of Justice			
Passed-through Mississippi Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 4,065
U.S. Department of Labor:			
Passed-through Mississippi Department of Employment Security			
WIOA Cluster:			
WIA/WIOA Adult Program	17.258	200-15-06	\$ 289,557
WIA/WIOA Youth Activities	17.259	200-15-04	555,219
WIA/WIOA Dislocated Workers Formula Grants	17.278	200-15-06	711,848
Total WIOA Cluster			\$ 1,556,624
U.S. Department of Transportation:			
Federal Aviation Administration			
Airport Improvement Program	20.106	N/A	\$ 53,559
Total Federal Aviation Administration			\$ 53,559
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 87 B	\$ 17,510
Total Highway Planning and Construction Cluster			\$ 17,510
National Highway Traffic Safety Administration			
Passed-through Mississippi Department of Public Safety			
Alcohol Open Container Requirements	20.607	2017-ST-15-81	7,182
Total National Highway Traffic Safety Administration			\$ 7,182
Total U.S. Department of Transportation			\$ 78,251
U. S. Department of Homeland Security:			
Passed-through Mississippi Emergency Management			
Hazard Mitigation Grant	97.039*	FEMA-1604-503-DRMS	\$ 1,308,528
Hazard Mitigation Grant	97.039*	FEMA-1604-504-DRMS	1,473,177
Total Hazard Mitigation Grant			\$ 2,781,705
Emergency Management Performance Grants	97.042	EMPG FY 2017	30,540
Total U.S. Department of Homeland Security			\$ 2,812,245
Total Expenditures of Federal Awards			\$ 4,453,600

PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – (Continued)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Pontotoc County, MS (County) under programs of the federal government for the year ended September 30, 2017. 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 to the grantor.

The County did not have any federal loan programs during the year ended September 30, 2017.

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

Note B - WIOA Cluster

Total expenditures of federal awards include \$1,556,624 passed-through an agency fund to the Three Rivers Planning and Development District during the year September 30, 2017.

Note C – Hazard Mitigation Grant

Total expenditures of federal awards include \$2,781,705 passed-through an agency fund to the Pontotoc County School District during the year September 30, 2017.

*Denotes major federal award program.

OTHER INFORMATION

(This page intentionally left blank.)

Pontotoc County, Mississippi
Schedule of Surety Bonds For County Officials
For the Year Ended September 30, 2017
"UNAUDITED"

NAME	POSITION	COMPANY	BOND
WAYNE STOKES	SUPERVISOR DISTRICT 1	RIDGECREST INSURANCE	\$100,000.00
MIKE MCGREGOR	SUPERVISOR DISTRICT 2	RIDGECREST INSURANCE	\$100,000.00
BRAD WARD	SUPERVISOR DISTRICT 3	RIDGECREST INSURANCE	\$100,000.00
ERNIE WRIGHT	SUPERVISOR DISTRICT 4	RIDGECREST INSURANCE	\$100,000.00
DAN MCKNIGHT	SUPERVISOR DISTRICT 5	RIDGECREST INSURANCE	\$100,000.00
RICKY FERGUSON	COUNTY ADMINISTRATOR	RIDGECREST INSURANCE	\$100,000.00
REGINA FOSTER	PURCHASE CLERK	RIDGECREST INSURANCE	\$75,000.00
JOE WARREN	ASSISTANT PURCHASE CLERK	RIDGECREST INSURANCE	\$50,000.00
CAROL M JEFFREYS	ASSISTANT RECEIVING CLERK	RIDGECREST INSURANCE	\$75,000.00
RICKY WILLIAMS	ASSISTANT RECEIVING CLERK	RIDGECREST INSURANCE	\$50,000.00
TIM HOLCOMB	RECEIVING CLERK	RIDGECREST INSURANCE	\$75,000.00
JOHN GOLDEN	ASSISTANT RECEIVING CLERK	RIDGECREST INSURANCE	\$50,000.00
DONNIE McCARTY	ASSISTANT RECEIVING CLERK	RIDGECREST INSURANCE	\$50,000.00
EDDIE CHRISTIAN	ASSISTANT RECEIVING CLERK	RIDGECREST INSURANCE	\$50,000.00
RICKY FERGUSON	INVENTORY CONTROL CLERK	RIDGECREST INSURANCE	\$75,000.00
LD GILLESPIE	CONSTABLE	RIDGECREST INSURANCE	\$50,000.00
TOMMY CORBIN	CONSTABLE	RIDGECREST INSURANCE	\$50,000.00
LEO MASK	SHERIFF	RIDGECREST INSURANCE	\$100,000.00
MELINDA NOWICKI	CIRCUIT CLERK	RIDGECREST INSURANCE	\$100,000.00
CINDY DIDONNA	DEPUTY CIRCUIT CLERK	RIDGECREST INSURANCE	\$50,000.00
LISA D FOWLER	DEPUTY CIRCUIT CLERK	RIDGECREST INSURANCE	\$50,000.00
MELISSA POUNDS	DEPUTY CIRCUIT CLERK	RIDGECREST INSURANCE	\$50,000.00
DAVID HALL	JUSTICE COURT JUDGE	RIDGECREST INSURANCE	\$50,000.00
SCOTTIE HARRISON	JUSTICE COURT JUDGE	RIDGECREST INSURANCE	\$50,000.00
MELISSA FERGUSON	DEPUTY JUSTICE COURT CLERK	RIDGECREST INSURANCE	\$50,000.00
CHERYL WOODS	DEPUTY JUSTICE COURT CLERK	RIDGECREST INSURANCE	\$50,000.00
GLENDA HITT	DEPUTY JUSTICE COURT CLERK	RIDGECREST INSURANCE	\$50,000.00
LAUREN MUNN	DEPUTY JUSTICE COURT CLERK	RIDGECREST INSURANCE	\$50,000.00
BRYAN WOOD	AG CENTER DIRECTOR	RIDGECREST INSURANCE	\$25,000.00
RICKY FERGUSON	CHANCERY COURT CLERK	RIDGECREST INSURANCE	\$25,000.00
CATHY PURDON	DEPUTY CHANCERY CLERK	RIDGECREST INSURANCE	\$50,000.00
BRENDA FARR	DEPUTY CHANCERY CLERK	RIDGECREST INSURANCE	\$50,000.00
ANGIE SHETTLES	DEPUTY CHANCERY CLERK	RIDGECREST INSURANCE	\$50,000.00
MAGGIE PATRICK	DEPUTY CHANCERY CLERK	RIDGECREST INSURANCE	\$50,000.00
CHISHON WASHINGTON	DEPUTY CHANCERY CLERK	RIDGECREST INSURANCE	\$50,000.00
VAN McWHIRTER	TAX ASSESSOR/COLLECTOR	RIDGECREST INSURANCE	\$100,000.00
MARTHA ZINN	DEPUTY TAX COLLECTOR	RIDGECREST INSURANCE	\$50,000.00
MYRTLE ELIZABETH SLEDGE	DEPUTY TAX COLLECTOR	RIDGECREST INSURANCE	\$50,000.00
KRISTY BOLIN	DEPUTY TAX COLLECTOR	RIDGECREST INSURANCE	\$50,000.00
JENNIFER BROWN	DEPUTY TAX COLLECTOR	RIDGECREST INSURANCE	\$50,000.00
PAUL HEATH	DEPUTY TAX ASSESSOR	RIDGECREST INSURANCE	\$50,000.00
MANDY DITTO	E911	RIDGECREST INSURANCE	\$50,000.00
ALLEN WOODY MORRIS	ASSISTANT RECEIVING CLERK	RIDGECREST INSURANCE	50,000.00
LORNA WRIGHT	DEPUTY TAX ASSESSOR	RIDGECREST INSURANCE	50,000.00
JENNIE LUCROY	DEPTUY TAX COLLECTOR	RIDGECREST INSURANCE	50,000.00
MELISSA WILDER	DEPUTY TAX ASSESSOR	RIDGECREST INSURANCE	50,000.00
BILLY BAGGETT	ASSISTANT RECEIVING CLERK	RIDGECREST INSURANCE	50,000.00
TROY WARD	DEPUTY TAX COLLECTOR	RIDGECREST INSURANCE	50,000.00
DEBORAH SPRATT	DEPUTY JUSTICE COURT CLERK	RIDGECREST INSURANCE	50,000.00
GAIL JAGGERS	COURT CLERK	RIDGECREST INSURANCE	50,000.00
Kathy Robinson	COURT CLERK	RIDGECREST INSURANCE	50,000.00

(This page intentionally left blank.)

SPECIAL REPORTS

(This page intentionally left blank.)

M. M. WINKLER & ASSOCIATES, PLLC

Certified Public Accountants

221 Franklin Street - P. O. Box 499
Tupelo, Mississippi 38802
(662) 842-4641 or Fax (662) 842-4646
info@mmwinkler.com

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

Members of the Board of Supervisors
Pontotoc County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pontotoc County, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 11, 2018. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that include the financial data for its component unit. 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, and 2017-006 that we consider to be a material weakness.

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

- Continued -

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pontotoc County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003 and 2017-004.

Pontotoc County's Response to Finding

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 response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

M. M. Winkler & Associates, PLLC

December 11, 2018

M. M. WINKLER & ASSOCIATES, PLLC

Certified Public Accountants

221 Franklin Street - P. O. Box 499
Tupelo, Mississippi 38802
(662) 842-4641 or Fax (662) 842-4646
info@mmwinkler.com

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 Each 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 each of its major federal programs for the year ended September 30, 2017. Pontotoc County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 each of Pontotoc County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on Pontotoc County, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, Pontotoc County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2017.

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

- Continued -

Report on Internal Control Over Compliance

Management of Pontotoc County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Pontotoc County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

M. M. Winkler & Associates, PLLC

December 11, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page intentionally left blank.)

PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2017

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
Countywide Road Maintenance Fund	Unmodified
Pride Mobility Fund	Unmodified
Solid Waste Fund	Qualified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? None reported
3. Noncompliance material to the financial statements noted? Yes

Federal Awards:

4. Internal control over major programs:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified? None reported
5. Type of auditor's report issued on compliance for major federal programs: Unmodified
6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No
7. Identification of major program:

Hazard Mitigation Grant CFDA# 97.039
8. The dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as a low-risk auditee? No

PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2017

Section 2: Financial Statement Findings

Board of Supervisors.

2017-001 Financial data for component units not included in financial statements.

Repeat Finding Yes, 2016-001

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

2017-002 Liability for postemployment benefits not recorded and note disclosures for postemployment benefits not reported.

Repeat Finding Yes, 2016-002

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, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2017

Section 2: Financial Statement Findings - continued

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	
2017-003	<u>The Board of Supervisors did not cite the specific/correct levy authority from the Mississippi Code for each county levy.</u>
Repeat Finding	Yes, 2016-003
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, 2017 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 2017 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.

PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2017

Section 2: Financial Statement Findings - continued

Material Weakness

Material Noncompliance

2017-004 The Board of Supervisors authorized to levy annual taxes for amount that exceeds authority.

Repeat Finding Yes, 2016-004

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.

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

2017-005 Segregation of duties in the Sheriff's office should be strengthened.

Repeat Finding Yes; 2016-005

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.

PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2017

Section 2: Financial Statement Findings - continued

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. Six individuals instead of one bookkeeper now perform the duties addressed related to the account, petty cash, and the drug fund account.

Justice Court Clerk

Material Weakness

2017-006 Segregation of duties in the Justice Court Clerk's office should be strengthened.

Repeat Finding Yes; 2016-006

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.

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.

Section 3: Federal Award Findings and Questioned Costs

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

(This page intentionally left blank.)