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FINANCIAL STATEMENTS
CITY OF PONTOTOC, MISSISSIPPI
Year Ended September 30, 2017

Franks, Franks, Wilemon & Hagood, P.A.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Pontotoc, 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 the City of Pontotoc, Mississippi as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pontotoc, Mississippi, as of September 30, 2017, and the respective changes in financial position, and cash flows, where applicable, 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 on pages 4 through 12, the schedule of the City's proportionate share of the net pension liability on page 43, and the schedule of the City's contributions on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pontotoc, Mississippi's basic financial statements. The combining and individual fund financial statements and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining and individual fund financial statements, the schedule of expenditures of federal awards and other supplemental information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2018, on our consideration of the City of Pontotoc, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pontotoc's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
August 30, 2018

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2017

This section of the City of Pontotoc's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2017. Please read it in conjunction with the City of Pontotoc financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$29,358,883. Of this amount, \$1,493,212 may be used to meet the City of Pontotoc's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$30,297,201 of which \$3,108,679 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Pontotoc governmental funds reported combined ending fund balances of \$2,641,810, an increase of \$437,443 in comparison to the prior year. Approximately 58 percent of the combined fund balances, \$1,530,514 is considered unassigned and is available for spending at the City of Pontotoc's discretion.
- The City of Pontotoc's total debt is \$4,508,056. There was no new debt issued in the current fiscal year. Debt in the amount of \$790,603 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City of Pontotoc.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Pontotoc's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City of Pontotoc's operations in more detail than the government-wide statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending. The City of Pontotoc has three Governmental Fund types: the General Fund, Special Revenue Fund and Debt Service Fund.

Proprietary Fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and includes the Water and Sewer Utility Fund and Gas Utility Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major Governmental Funds, each of which are added together and presented in single columns in the basic financial statements.

CITY OF PONTOTOC, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 summarizes the major features of the City of Pontotoc's financial statements, including the portion of the City of Pontotoc they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the City of Pontotoc's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, fire, and culture and recreation	Activities the City operates similar to private businesses: Water, Sewer and Gas System.
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position; Statement of Cash Flows
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
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term 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 have been 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

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Statements

The government-wide statements report information about the City of Pontotoc as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Pontotoc's net position and how it has changed. Net position—the City of Pontotoc's assets and deferred outflow of resources, less its liabilities and deferred inflow of resources—is one way to measure the City of Pontotoc's financial health, or position.

- Over time, increases or decreases in the City of Pontotoc's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Pontotoc, the reader should consider additional non-financial factors such as changes in the City of Pontotoc's economic environment.
- *Governmental activities* – Most of the City of Pontotoc's basic services are included here, such as the police, fire, public works, tourism, materials control, building inspection, culture and recreation departments, and general administration. Sales and use taxes and state and federal grants finance most of these activities.
- *Business-type activities* – The City of Pontotoc charges fees to customers to help it cover the costs of certain services it provides. The City of Pontotoc's water, sewer and gas systems services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Pontotoc's most significant funds—not the City as a whole. The "fund" level is where the basic unit of financial organization and operation within the City of Pontotoc exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pontotoc has two types of funds:

- **Governmental funds**—most of the City of Pontotoc's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Pontotoc's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City of Pontotoc utilizes three types of governmental funds: the General Fund, Special Revenue Funds and Debt Service Funds.
- **Proprietary funds**—Services for which the City of Pontotoc charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary fund—Enterprise Funds. The City of Pontotoc's Enterprise Funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of Proprietary Funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The City of Pontotoc's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by \$29,358,883 at the close of the most recent fiscal year.

A large portion, 94 percent, of the City's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

**Table A-1
City of Pontotoc's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 4,407,728	\$ 4,433,744	\$ 6,470,220	\$ 7,125,538	\$ 10,877,948	\$ 11,559,282
Capital Assets	13,822,554	13,947,190	18,283,328	18,327,106	32,105,882	32,274,296
Total Assets	18,230,282	18,380,934	25,753,548	25,452,644	42,983,830	43,833,578
Deferred Outflows	382,761	1,033,775	229,114	610,501	611,875	1,644,276
Total Deferred Outflows	382,761	1,033,775	229,114	610,501	611,875	1,644,276
Current and Other Liabilities	507,803	974,419	781,883	751,672	1,289,686	1,726,091
Long-Term Liabilities	6,914,520	7,229,088	5,841,792	6,201,757	12,756,312	13,430,845
Total Liabilities	7,422,323	8,203,507	6,623,675	6,953,429	14,045,998	15,156,936
Deferred Inflows	119,371	14,912	71,453	8,805	190,824	23,717
Total Deferred Inflows	119,371	14,912	71,453	8,805	190,824	23,717
Net Position:						
Net Investment in						
Capital Assets	12,202,506	11,848,339	15,395,320	15,127,298	27,597,826	26,975,637
Restricted	267,845	212,885	0	0	267,845	212,885
Unrestricted (Deficit)	(1,399,002)	(864,934)	2,892,214	3,973,613	1,493,212	3,108,679
Total Net Position	<u>\$ 11,071,349</u>	<u>\$11,196,290</u>	<u>\$ 18,287,534</u>	<u>\$ 19,100,911</u>	<u>\$ 29,358,883</u>	<u>\$ 30,297,201</u>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$1,493,212 of unrestricted net position provides excess funds to meet the government's ongoing obligations to citizens and creditors.

Unrestricted net position of our business-type activities was \$2,892,214 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Pontotoc generally can only use this net position to finance the continuing operations of the business type activities.

Changes in net position. Approximately 22.55 percent of the City of Pontotoc's revenue comes from sales and tourism taxes, with 26.07 percent of all revenue coming from some type of tax. (See Table A-2.) Another 67.56 percent comes from fees charged for services, 3.23 percent from operating and capital grants and contributions and the balance is from investment earnings, intergovernmental revenue and other miscellaneous receipts.

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2
Changes in the City of Pontotoc's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 713,659	\$ 746,308	\$ 7,942,439	\$ 7,241,164	\$8,656,098	\$7,987,472
Operating Grants & Contributions	0	0	0	0	0	0
Capital Grants & Contributions	414,300	2,223,346	0	2,500	414,300	2,225,846
General Revenues:						
Sales Taxes	2,888,721	2,850,159	0	0	2,888,721	2,850,159
Other Taxes	450,844	413,551	0	0	450,844	413,551
Intergovernmental Revenues	59,536	83,622	0	0	59,536	83,622
Investment Income	110,811	105,790	0	0	110,811	105,790
Other	<u>228,160</u>	<u>214,782</u>	<u>3,110</u>	<u>49,473</u>	<u>231,270</u>	<u>264,255</u>
Total Revenues	4,866,031	6,637,558	7,945,549	7,293,137	12,811,580	13,930,695
Expenses						
General Government	762,245	677,986	0	0	762,245	677,986
Public Safety	2,976,014	2,758,534	0	0	2,976,014	2,758,534
Public Works	687,409	1,058,633	0	0	687,409	1,058,633
Culture & Recreation	719,807	787,568	0	0	719,807	787,568
Urban & Economic Development	0	2,089,594	0	0	0	2,089,594
Building Inspection	89,393	87,643	0	0	89,393	87,643
Materials Control / Mechanic	197,884	194,236	0	0	197,884	194,236
Water, Sewer & Gas System	0	0	8,191,250	7,171,618	8,191,250	7,171,618
Interest on Long Term Debt	<u>68,352</u>	<u>82,226</u>	<u>57,544</u>	<u>63,522</u>	<u>125,896</u>	<u>145,748</u>
Total Expenses	<u>5,501,104</u>	<u>7,736,420</u>	<u>8,248,794</u>	<u>7,235,140</u>	<u>13,749,898</u>	<u>14,971,560</u>
Excess of Revenue Over Expenses	(635,073)	(1,098,862)	(303,245)	57,997	(938,318)	(1,040,865)
Transfers	<u>510,132</u>	<u>515,888</u>	<u>(510,132)</u>	<u>(515,888)</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	(124,941)	(582,974)	(813,377)	(457,891)	(938,318)	(1,040,865)
Net Position—Beginning	<u>11,196,290</u>	<u>11,779,264</u>	<u>19,100,911</u>	<u>19,558,802</u>	<u>30,297,201</u>	<u>31,338,066</u>
Net Position—Ending	<u>\$ 11,071,349</u>	<u>\$ 11,196,290</u>	<u>\$ 18,287,534</u>	<u>\$ 19,100,911</u>	<u>\$ 29,358,883</u>	<u>\$ 30,297,201</u>

Governmental Activities

Governmental activities decreased the City's net position by \$124,941, thereby accounting for 13 percent of the decrease in the City's net position. Key elements of this decrease are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales taxes (59 percent) and charges for services (16 percent).

The largest expense category for the City's governmental activities is public safety (54 percent).

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type Activities

Business-type activities decreased the City's net position by \$813,377, thereby accounting for 87 percent of the decrease in the City's net position.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of 7,942,439 for the water, sewer and gas system.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,530,514, which comprised 64 percent of the fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 48 percent of total fund expenditures. The fund balance of the City's general fund increased by \$382,953 during the current fiscal year.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$264,684, which will be used for future expenditures.

Debt Service Fund—The debt service fund is used to account for the repayment of long-term debt of the City of Pontotoc. At the end of the current fiscal year, the fund balance was \$0.

Proprietary Funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$18,287,534.

Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

The City's 2016-2017 general fund operating budget increased by approximately \$370,987 during the current fiscal year. This increase was primarily related to changes in budgeted general government capital outlay expenditures.

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounted to \$32,105,882, net of accumulated depreciation of \$21,478,715. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

**Table A-3
City of Pontotoc's Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 5,857,893	\$ 5,857,893	\$ 146,700	\$ 146,700	\$ 6,004,593	\$ 6,004,593
Construction in Progress	0	0	0	0	0	0
Plants, Buildings & Improvements	14,972,012	14,859,120	26,185,317	25,614,088	41,157,329	40,473,208
Machinery & Equipment	2,632,500	2,540,140	2,052,161	1,901,211	4,684,661	4,441,351
Infrastructure	1,738,014	1,738,014	0	0	1,738,014	1,738,014
Accumulated Depreciation	(11,377,865)	(11,047,977)	(10,100,850)	(9,334,893)	(21,478,715)	(20,382,870)
Total	<u>\$ 13,822,554</u>	<u>\$ 13,947,190</u>	<u>\$ 18,283,328</u>	<u>\$ 18,327,106</u>	<u>\$ 32,105,882</u>	<u>\$ 32,274,296</u>

Long-term Debt—At year-end, the city had \$4,508,056 in bonds and note payables outstanding. More detailed information about the City of Pontotoc's long-term liabilities is presented in the notes to the financial statements.

**Table A-4
City of Pontotoc's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 0	\$ 290,000	\$ 0	\$ 0	\$ 0	\$ 290,000
Revenue Bonds	0	0	0	0	0	0
CAP Loans	1,192,841	1,330,079	0	0	1,192,841	1,330,079
Notes Payable	427,207	478,772	2,888,008	3,199,808	3,315,215	3,678,580
Total	<u>\$ 1,620,048</u>	<u>\$ 2,098,851</u>	<u>\$ 2,888,008</u>	<u>\$ 3,199,808</u>	<u>\$ 4,508,056</u>	<u>\$ 5,298,659</u>

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2018 budget. The total budgeted appropriations for the City operations are \$5,889,086. This is an increase from the prior year budget. The increase is primarily related to public works capital outlay related to upcoming projects in the 2018 fiscal year.

CONTACTING THE CITY OF PONTOTOC FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Pontotoc finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Pontotoc's Finance Department, 116 N. Main Street Pontotoc, MS 38863.

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash on Deposit - Unrestricted	\$ 2,454,967	\$ 4,403,325	\$ 6,858,292
Cash on Deposit - Restricted	169,829	-	169,829
Money Market, CD's - Unrestricted	15,770	-	15,770
Accounts Receivable, Net	241,256	1,044,409	1,285,665
Inventory	-	920,387	920,387
Prepaid Expenses	24,688	7,304	31,992
Court Fines Receivable, Net	442,541	-	442,541
Due From Other Governments	47,238	-	47,238
Due From Other Funds	24,609	94,795	119,404
Lease Payments Receivables, Current Portion	52,590	-	52,590
Lease Payments Receivables, Noncurrent Portion	934,240	-	934,240
Capital Assets:			
Land	5,857,893	146,700	6,004,593
Construction in Progress	-	-	-
Plant, Buildings and Improvements	14,972,012	26,185,317	41,157,329
Machinery and Equipment	2,632,500	2,052,161	4,684,661
Infrastructure	1,738,014	-	1,738,014
Accumulated Depreciation	(11,377,865)	(10,100,850)	(21,478,715)
TOTAL ASSETS	\$ 18,230,282	\$ 24,753,548	\$ 42,983,830
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows - Pensions	382,761	229,114	611,875
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 382,761	\$ 229,114	\$ 611,875

The accompanying notes are an integral part of these financial statements.

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 200,437	\$ 402,921	\$ 603,358
Due to Other Funds	58,352	61,052	119,404
Due to Other Governments	77,758	-	77,758
Long-term Liabilities, Due Within One Year			
General Obligation Bonds	-	-	-
Notes Payable	171,256	317,910	489,166
Long-term Liabilities, Due In More Than One Year			
General Obligation Bonds	-	-	-
Notes Payable	1,448,792	2,570,098	4,018,890
Net Pension Liability	5,465,728	3,271,694	8,737,422
TOTAL LIABILITIES	\$ 7,422,323	\$ 6,623,675	\$ 14,045,998
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows - Pensions	119,371	71,453	190,824
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 119,371	\$ 71,453	\$ 190,824
<u>NET POSITION:</u>			
Net Investment in Capital Assets	12,202,506	15,395,320	27,597,826
Restricted for:			
Debt Service	-	-	-
Drug Seizure Funds	3,161	-	3,161
Tourism	264,684	-	264,684
Unrestricted (Deficit)	(1,399,002)	2,892,214	1,493,212
TOTAL NET POSITION	\$ 11,071,349	\$ 18,287,534	\$ 29,358,883

The accompanying notes are an integral part of these financial statements.

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		PRIMARY GOVERNMENT	
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
PRIMARY GOVERNMENT						
Governmental Activities:						
General Government	\$ 762,245	\$ 131,242	\$ -	\$ -	\$ (631,003)	\$ -
Public Safety	2,976,014	391,196	-	325,421	(2,259,397)	-
Public Works	687,409	-	-	-	(687,409)	-
Culture and Recreation	719,807	191,221	-	88,879	(439,707)	-
Urban and Economic Development	-	-	-	-	-	-
Materials Control / Mechanic	197,884	-	-	-	(197,884)	-
Building Inspection	89,393	-	-	-	(89,393)	-
Interest on Long-Term Debt	68,352	-	-	-	(68,352)	-
TOTAL GOVERNMENTAL ACTIVITIES	5,501,104	713,659	-	414,300	(4,373,145)	-
Business-Type Activities:						
Water/Sewer Utility Fund	2,553,184	2,680,615	-	-	-	127,431
Gas Utility Fund	5,695,610	5,261,824	-	-	-	(433,786)
TOTAL BUSINESS-TYPE ACTIVITIES	8,248,794	7,942,439	-	-	-	(306,355)
TOTAL PRIMARY GOVERNMENT	\$ 13,749,898	\$ 8,656,098	\$ -	\$ 414,300	\$ (4,373,145)	\$ (306,355)
						(4,679,500)
GENERAL REVENUES:						
Taxes:						
Sales, Tourism and Use Taxes					\$ 2,888,721	\$ -
County Pro Rata Taxes					225,138	225,138
Licenses and Permits					78,142	78,142
In Lieu Taxes					225,706	225,706
Gasoline Taxes					8,041	8,041
Intergovernmental Revenues					51,495	51,495
Investment Earnings					110,811	110,811
Gain (Loss) on Asset Disposal					-	-
Miscellaneous					150,018	3,110
Transfers					510,132	(510,132)
TOTAL GENERAL REVENUES AND TRANSFERS					4,248,204	(507,022)
CHANGE IN NET POSITION					(124,941)	(938,318)
NET POSITION--BEGINNING					11,196,290	19,100,911
NET POSITION--ENDING					\$ 11,071,349	\$ 18,287,534
						\$ 29,358,883

The accompanying notes are an integral part of these financial statements.

CITY OF PONTOTOC, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit - Unrestricted	\$ 2,382,081	\$ 72,886	\$ 2,454,967
Cash on Deposit - Restricted	2,691	167,138	169,829
Money Market, CD's - Unrestricted	15,770	-	15,770
Accounts Receivable	241,256	-	241,256
Due From Other Governments	10,951	36,287	47,238
Due From Other Funds	24,609	-	24,609
Prepaid Insurance	24,688	-	24,688
TOTAL ASSETS	\$ 2,702,046	\$ 276,311	\$ 2,978,357
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 188,810	\$ 11,627	\$ 200,437
Due to Other Funds	58,352	-	58,352
Due to Other Governments	77,758	-	77,758
TOTAL LIABILITIES	324,920	11,627	336,547
<u>FUND BALANCES:</u>			
Nonspendable:			
Prepaid Items	24,688	-	24,688
Unemployment Trust	15,770	-	15,770
Restricted:			
Debt Service	-	-	-
Drug Seizure Funds	3,161	-	3,161
Tourism	-	264,684	264,684
Assigned	802,993	-	802,993
Unassigned	1,530,514	-	1,530,514
TOTAL FUND BALANCES	2,377,126	264,684	2,641,810
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,702,046	\$ 276,311	\$ 2,978,357

The accompanying notes are an integral part of these financial statements.

CITY OF PONTOTOC, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2017

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,641,810

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. 13,822,554

Deferred revenues for lease receivables deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end. 986,830

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. (1,620,048)

The net pension liability is not due and payable in the current period, and, therefore, is not reported in the Governmental Funds Balance Sheet (5,465,728)

Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the Governmental Funds Balance Sheet:

Deferred outflows of resources related to pensions 382,761
Deferred inflows of resources related to pensions (119,371)

Accrual of court fine revenues to qualify as financial resources. 442,541

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 11,071,349

The accompanying notes are an integral part of these financial statements.

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Sales, Tourism and Use Taxes	\$ 2,452,506	\$ 436,215	\$ 2,888,721
Licenses and Permits	78,142	-	78,142
In Lieu of Taxes	225,706	-	225,706
Penalties and Interest	42,464	-	42,464
Park and Recreation Fees	191,221	-	191,221
Intergovernmental Revenues	59,536	-	59,536
County Pro Rata Taxes	225,138	-	225,138
School Tax Collection Fees	131,242	-	131,242
Lease Rentals	396,299	-	396,299
Fines and Forfeits	360,987	-	360,987
Interest Income	50,317	1,001	51,318
Grant Income	325,421	88,879	414,300
Donations	-	-	-
Miscellaneous Revenues	92,554	15,000	107,554
TOTAL REVENUES	4,631,533	541,095	5,172,628
EXPENDITURES:			
Current:			
General Government	612,990	-	612,990
Public Safety	2,511,294	-	2,511,294
Public Works	611,981	-	611,981
Culture and Recreation	441,567	310,552	752,119
Urban and Economic Development	-	-	-
Materials Control and Mechanic	154,368	-	154,368
Building Inspection	71,066	-	71,066
Debt Service	517,155	30,000	547,155
TOTAL EXPENDITURES	4,920,421	340,552	5,260,973
EXCESS OF REVENUES			
OVER (UNDER) EXPENDITURES	(288,888)	200,543	(88,345)
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Capital Assets	-	-	-
Proceeds from Issuance of Debt	-	-	-
Transfers (to) from Other Funds	671,841	(146,053)	525,788
TOTAL OTHER FINANCING			
SOURCES (USES)	671,841	(146,053)	525,788
NET CHANGE IN FUND BALANCES	382,953	54,490	437,443
FUND BALANCES - Beginning	1,994,173	210,194	2,204,367
FUND BALANCES - Ending	\$ 2,377,126	\$ 264,684	\$ 2,641,810

The accompanying notes are an integral part of these financial statements.

CITY OF PONTOTOC, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 437,443
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	254,324
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(363,304)
Proceeds from the disposition of capital assets is reported as income in the Governmental Funds. The gain or loss on the sale of the capital assets and not the gross proceeds are reported as income in the Government-Wide Statement of Activities.	-
Transfer of a capital asset from the Governmental Activities to the Business-Type Activities is not reported on the Governmental Funds.	(15,656)
Payments received related to lease receivable reported as revenue on the Governmental Funds financial statements as received.	(336,806)
Revenues related to court fines in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.	30,209
Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.	(609,954)
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This amount represents long-term debt proceeds	-
This amount represents long-term debt repayments.	478,803
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(124,941)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PONTOTOC, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Year Ended September 30, 2017

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
Sales and Use Taxes	\$ 2,465,000	\$ 2,465,000	\$ 2,458,123	\$ (6,877)
Licenses and Permits	80,500	80,500	78,142	(2,358)
In Lieu of Taxes	205,000	205,000	220,224	15,224
Penalties and Interest	43,000	43,000	42,464	(536)
Park and Recreation Fees	273,815	273,815	191,221	(82,594)
Intergovernmental Revenues	53,000	53,000	59,536	6,536
County Pro Rata Taxes	240,000	240,000	226,769	(13,231)
Charges for Services	127,000	127,000	131,242	4,242
Rentals	385,050	385,050	396,299	11,249
Fines and Forfeits	600,000	600,000	360,987	(239,013)
Interest Income	40,000	40,000	50,317	10,317
Grant Income	5,000	321,691	325,421	3,730
Donations	-	204,905	204,905	-
Miscellaneous Revenues	28,000	32,700	92,554	59,854
TOTAL REVENUES	4,545,365	5,071,661	4,838,204	(233,457)
EXPENDITURES:				
Current:				
General Government	591,047	886,034	612,990	273,044
Public Safety	2,880,915	2,915,915	2,511,294	404,621
Public Works	690,763	690,763	611,981	78,782
Culture and Recreation	442,704	483,704	441,567	42,137
Urban and Economic Development	-	-	-	-
Materials Control and Mechanic	164,006	164,006	154,368	9,638
Building Inspection	77,084	77,084	71,066	6,018
Debt Service	521,917	521,917	517,155	4,762
TOTAL EXPENDITURES	5,368,436	5,739,423	4,920,421	819,002
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(823,071)	(667,762)	(82,217)	585,545
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt Issuance	-	-	-	-
Sale of Capital Assets	-	-	-	-
Transfers (to) from Other Funds	650,788	650,788	671,841	21,053
TOTAL OTHER FINANCING SOURCES (USES)	650,788	650,788	671,841	21,053
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ (172,283)	\$ (16,974)	\$ 589,624	\$ 606,598

The accompanying notes are an integral part of these financial statements.

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2017

ASSETS:	Water/Sewer Utility Fund	Gas Utility Fund	Total
<u>Current Assets</u>			
Cash on Deposit - Unrestricted	\$ 2,633,807	\$ 1,769,518	\$ 4,403,325
Accounts Receivable, Net of Provision for Bad Debts	457,745	586,664	1,044,409
Due from Other funds	39,964	54,831	94,795
Due from Other Governments	-	-	-
Prepaid Expenses	7,304	-	7,304
Inventory	120,624	799,763	920,387
Total Current Assets	<u>3,259,444</u>	<u>3,210,776</u>	<u>6,470,220</u>
<u>Fixed Assets</u>			
Distributions Systems	11,530,123	14,131,284	25,661,407
Buildings	32,940	490,970	523,910
Equipment	814,094	1,238,067	2,052,161
Construction in Progress	-	-	-
Land	136,200	10,500	146,700
Less: Accumulated Depreciation	<u>(3,895,928)</u>	<u>(6,204,922)</u>	<u>(10,100,850)</u>
Net Fixed Assets	<u>8,617,429</u>	<u>9,665,899</u>	<u>18,283,328</u>
TOTAL ASSETS	\$ <u>11,876,873</u>	\$ <u>12,876,675</u>	\$ <u>24,753,548</u>
<u>Deferred Outflows of Resources</u>			
Deferred Outflows - Pensions	108,378	120,736	229,114
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ <u>108,378</u>	\$ <u>120,736</u>	\$ <u>229,114</u>
LIABILITIES AND NET POSITION:			
<u>Current Liabilities</u>			
Accounts Payable	\$ 93,087	\$ 304,685	\$ 397,772
Due to Other Funds	61,052	-	61,052
Compensated Absences	-	-	-
Interest Payable	5,149	-	5,149
Notes and Bonds Payable - Due Within One Year	317,910	-	317,910
Total Current Liabilities	<u>477,198</u>	<u>304,685</u>	<u>781,883</u>
<u>Noncurrent Liabilities</u>			
Notes and Bonds Payable, Due in More Than one Year	2,570,098	-	2,570,098
Net Pension Liability	1,547,614	1,724,080	3,271,694
Total Noncurrent Liabilities	<u>4,117,712</u>	<u>1,724,080</u>	<u>5,841,792</u>
TOTAL LIABILITIES	<u>4,594,910</u>	<u>2,028,765</u>	<u>6,623,675</u>
<u>Deferred Inflows of Resources</u>			
Deferred Inflows - Pensions	33,799	37,654	71,453
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>33,799</u>	<u>37,654</u>	<u>71,453</u>
<u>Net Position</u>			
Net Investment in Capital Assets	5,729,421	9,665,899	15,395,320
Unrestricted	1,627,121	1,265,093	2,892,214
Total Net Position	<u>7,356,542</u>	<u>10,930,992</u>	<u>18,287,534</u>
TOTAL NET POSITION	\$ <u>7,356,542</u>	\$ <u>10,930,992</u>	\$ <u>18,287,534</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Water/Sewer Utility Fund	Gas Utility Fund	Total
OPERATING REVENUES:			
Charges for Services	\$ 2,636,700	\$ 5,220,799	\$ 7,857,499
Service Charges and Penalties	43,915	41,025	84,940
Other Receipts	3,110	-	3,110
	<u>2,683,725</u>	<u>5,261,824</u>	<u>7,945,549</u>
Total Operating Revenues			
Less: Gas Purchased	-	3,202,263	3,202,263
	<u>2,683,725</u>	<u>2,059,561</u>	<u>4,743,286</u>
Net Income Before Operating Expenses			
OPERATING EXPENSES:			
Personnel Services	1,069,730	1,278,838	2,348,568
Contractual Services	228,805	-	228,805
Supplies	62,351	137,851	200,202
Depreciation and Amortization	341,071	443,061	784,132
Other Services	737,850	486,396	1,224,246
	<u>2,439,807</u>	<u>2,346,146</u>	<u>4,785,953</u>
Total Operating Expenses			
Operating Income (Loss)	<u>243,918</u>	<u>(286,585)</u>	<u>(42,667)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	-	-	-
Grant Income	-	-	-
Interest and Fiscal Charges	(57,544)	-	(57,544)
Uncollectible Accounts Expense	(55,833)	(147,201)	(203,034)
Gain (Loss) on Sale of Fixed Asset	-	-	-
	<u>(113,377)</u>	<u>(147,201)</u>	<u>(260,578)</u>
Total Non-Operating Revenues (Expenses)			
INCOME BEFORE OPERATING TRANSFERS:	<u>130,541</u>	<u>(433,786)</u>	<u>(303,245)</u>
Operating Transfers In	-	15,656	15,656
Operating Transfers (Out)	<u>(195,303)</u>	<u>(330,485)</u>	<u>(525,788)</u>
CHANGE IN NET POSITION	(64,762)	(748,615)	(813,377)
NET POSITION - OCTOBER 1	<u>7,421,304</u>	<u>11,679,607</u>	<u>19,100,911</u>
NET POSITION - SEPTEMBER 30	\$ <u>7,356,542</u>	\$ <u>10,930,992</u>	\$ <u>18,287,534</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Water/Sewer Utility Fund	Gas Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 2,599,430	\$ 5,177,297	\$ 7,776,727
Cash Payments for Gas Purchases	-	(3,280,324)	(3,280,324)
Cash Payments for Personal Services	(893,547)	(1,053,042)	(1,946,589)
Cash Payments for Contractual Services	(228,805)	-	(228,805)
Cash Payments for Supplies	(30,746)	(137,851)	(168,597)
Cash Payments for Other Services	(707,454)	(499,272)	(1,206,726)
Net Cash Provided By Operating Activities	<u>738,878</u>	<u>206,808</u>	<u>945,686</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Transfers - In from (Out) to Other Funds	(195,303)	(314,829)	(510,132)
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>(195,303)</u>	<u>(314,829)</u>	<u>(510,132)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Fixed Assets	(22,480)	(717,874)	(740,354)
Proceeds From Sale of Fixed Assets	-	-	-
Cash Received from Capital Grants	-	-	-
Principal Paid on Bonds, Notes and Capital Lease Payables	(311,800)	-	(311,800)
Interest Paid on Bonds, Notes and Capital Lease Payables	(57,544)	-	(57,544)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(391,824)</u>	<u>(717,874)</u>	<u>(1,109,698)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Investments	-	-	-
Net Cash Provided By Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	<u>151,751</u>	<u>(825,895)</u>	<u>(674,144)</u>
CASH AND RESTRICTED CASH, OCTOBER 1	<u>2,482,056</u>	<u>2,595,413</u>	<u>5,077,469</u>
CASH AND RESTRICTED CASH, SEPTEMBER 30	<u>\$ 2,633,807</u>	<u>\$ 1,769,518</u>	<u>\$ 4,403,325</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 243,918	\$ (286,585)	\$ (42,667)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities			
Depreciation	341,071	443,061	784,132
Net Pension Expense	176,183	225,796	401,979
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(84,295)	(84,527)	(168,822)
(Increase) Decrease in Due from Other Governments	-	-	-
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Inventory	31,605	(84,643)	(53,038)
Increase (Decrease) in Accounts Payable - operating activities	30,396	(6,294)	24,102
Increase (Decrease) in Accrued Expenses - operating activities	-	-	-
Total Adjustments	<u>494,960</u>	<u>493,393</u>	<u>988,353</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 738,878</u>	<u>\$ 206,808</u>	<u>\$ 945,686</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pontotoc was incorporated on May 3, 1837 under the laws of the State of Mississippi. A mayor-board of aldermen form of government is used and the City provides the following services: police protection, fire protection, street maintenance, parks and recreation department and gas and water/sewer systems.

Government-Wide and Fund Financial Statements

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information on all nonfiduciary activities of the primary government and its component units. The statements distinguish between those activities of the City that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Non-major funds, where applicable, are aggregated and presented in a single column.

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual include sales tax and various categorical grants.

The City reports the following governmental funds:

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific federal and state grants and specific tax assessments that are legally restricted to expenditures for specified purposes. This is a non-major governmental fund.

Debt Service Fund – The Debt Service Fund was established to receive and account for resources restricted for the payment of interest and principal on general improvement and notes and bonds payable. This is a non-major governmental fund.

The City reports the following major proprietary funds:

The Water/Sewer and Gas Fund – These funds are used to account for the City's water and sewer treatment and distribution system as well as the gas distribution system. These funds are responsible for water and gas delivery to the residents of the City of Pontotoc.

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those which cannot be associated directly with program activities

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water, charges for sewer treatment and sale of gas. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Financial Reporting Entity

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

Included within the reporting entity:

City of Pontotoc gas, water and sewer system. The rates for user charges and bond issuance authorizations also are approved by the government's governing body and the legal liability for the general obligation portion of the gas, water and sewer debt remains with the government.

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Excluded from the reporting entity:

City of Pontotoc Separate School District. This potential component unit has a separate elected and/or appointed board and provides services to residents, generally within the geographic boundaries of the government. This is excluded from the reporting entity because the government does not have the ability to exercise, influence or control over their daily operations, approve budgets or provide funding.

Budgets and Budgetary Accounting

The mayor and board of aldermen generally follow the following proposed budget calendar of the State Department of Audit in establishing the budgetary data reflected in the financial statements:

- (1) The mayor and board of aldermen formulate the budget policy at the May board meeting.
- (2) Department budget requests are prepared by the appropriate people and submitted by the July board meeting.
- (3) A proposed budget is presented at the August meeting and a notice of public budget hearings and availability of the budget for inspection is published.
- (4) Between August 15th-30th a public hearing is held and the budget is adopted. The anticipated tax levy is reviewed to determine whether public notice is required on any levy.
- (5) Between September 1st-15th the budget must be adopted and the tax levy set.
- (6) Between September 1st-30th, in accordance with the City's population, the budget must be posted in three public places.
- (7) And, between September 15th-30th the budget as adopted should be written up, filed with the municipal clerk and public notice given of the availability of the budget for inspection. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations were necessary.
- (8) Further, budgets are used as management control devices in the Proprietary Fund. This budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except the Proprietary Fund recognizes all expenditures for debt as expense and no depreciation expense is recognized.

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

Cash and Investments

Deposits- The collateral for public entities' deposits in financial institutions is now 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 deposits 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 Depository Insurance Corporation.

Investments - State statutes, City bond ordinances and City resolutions authorize the City's investments. The City is authorized to invest in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, or of any school district, which such county or municipal or school district bonds have been approved by a reputable bond attorney or have been validated by a decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or in interest-bearing time certificates of deposit with municipal depositories serving in accordance with Section 27-105-353 at a rate of interest not less than a simple interest rate numerically equal to the average bank discount rate on United States Treasury bills of comparable maturity.

The City's investments as of September 30, 2017 are:

Investments:

Certificates of Deposit	\$ 15,770
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Pensions

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

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Tourism Tax – The City levies a 2% tax on gross sales of hotels, restaurants and such other businesses within the city limits where food and drink are sold. The tax is collected by the Mississippi State Tax Commission, and remitted to the City in the month following receipt. This tax is recorded in a special revenue fund. Collections received in October for the month of September are included in accounts receivable.

Property Tax – The City levies property taxes only to fund the municipal separate school system. All tax revenues collected are settled to the school in the month following collection. Amounts collected in September and settled in October are included under the caption "Due to Other Governments".

Encumbrances

State law does not require that funds be available when goods or services are ordered, only when paid for. Due to this circumstance, the City does not employ an encumbrance system.

Other Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statements and the government-wide statements (either governmental activities or business-type activities, as applicable). Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Issuance costs are reported as deferred charges.

In the governmental fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences

The City's policy allows employees to accumulate earned but unused vacation leave. However, any vacation unused at December 31 each year is forfeited. No liability is recorded for the unused vacation time. The City's policy also allows for compensated time off for overtime worked. Employees are reimbursed for the hours if unused at the end of each fiscal year. For this reason, there is no liability reported in the government-wide financial statements for compensated absences. Employees are not entitled to any sick leave payments upon termination or retirement.

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories for proprietary fund types are valued at cost. The City does not maintain inventory records for any other fund types.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

Fund Balance Classification

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions. In accordance with GASB Statement No. 54, the governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified tourism tax funds as being restricted because their use is restricted by State Statute for tourism expenditures. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board of Aldermen delegating this

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

responsibility to the City's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City had \$802,993 of assigned fund balance as of September 30, 2017.

- Unassigned: This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

Business Information

The City of Pontotoc provides gas, water, and sewer services to customers located within the city limits of Pontotoc, Mississippi as well as a limited number of customers outside the city limits. Credit is extended to all of these customers for services.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

NOTE 2 – FIXED ASSETS

The following is a summary of capital asset activity as of September 30, 2017:

Primary Government:

	<u>Balance</u> <u>10-01-16</u>	<u>Additions</u>	<u>Reclass/</u> <u>Disposals</u>	<u>Balance</u> <u>09-30-17</u>
Capital Assets, not being depreciated:				
Land	\$ 5,857,893	\$ 0	\$ 0	\$ 5,857,893
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being depreciated	5,857,893	0	0	5,857,893
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	14,859,120	112,892	0	14,972,012
Infrastructure	1,738,014	0	0	1,738,014
Machinery and Equipment	<u>2,540,140</u>	<u>141,432</u>	<u>(49,072)</u>	<u>2,632,500</u>
Total Capital Assets being depreciated	19,137,274	254,324	(49,072)	19,342,526
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(8,892,109)	(125,193)	0	(9,017,302)
Machinery and Equipment	(1,754,429)	(183,585)	33,416	(1,904,598)
Infrastructure	<u>(401,439)</u>	<u>(54,526)</u>	<u>0</u>	<u>(455,965)</u>
Total Accumulated Depreciation	(11,047,977)	(363,304)	33,416	(11,377,865)
Total Capital Assets, depreciated, net				
Governmental Activities	<u>8,089,297</u>	<u>(108,980)</u>	<u>(15,656)</u>	<u>7,964,661</u>
Capital Assets, net	<u>\$ 13,947,190</u>	<u>\$ (108,980)</u>	<u>\$ (15,656)</u>	<u>\$ 13,822,554</u>

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 2 – FIXED ASSETS (continued)

The City's capitalization threshold is \$1,000 for general fixed assets and \$5,000 for infrastructure assets. The City retroactively applied these thresholds to all general fixed assets in service. The City also retroactively capitalized infrastructure assets in service.

A summary of business-type capital asset activity at September 30, 2017 follows:

	<u>Balance</u> <u>10-01-16</u>	<u>Additions</u>	<u>Reclass/</u> <u>Disposals</u>	<u>Balance</u> <u>09-30-17</u>
Capital Assets, not being depreciated:				
Land	\$ 146,700	\$ 0	\$ 0	\$ 146,700
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being depreciated	146,700	0	0	146,700
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	25,614,088	571,229	0	26,185,317
Machinery and Equipment	<u>1,901,211</u>	<u>200,943</u>	<u>(49,993)</u>	<u>2,052,161</u>
Total Capital Assets being depreciated	27,515,299	772,172	(49,993)	28,237,478
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(7,950,928)	(633,481)	0	(8,584,409)
Machinery and Equipment	<u>(1,383,965)</u>	<u>(150,651)</u>	<u>18,175</u>	<u>(1,516,441)</u>
Total Accumulated Depreciation	(9,334,893)	(784,132)	18,175	(10,100,850)
Total Capital Assets, depreciated, net				
Business-type Activities	<u>18,180,406</u>	<u>(11,960)</u>	<u>(31,818)</u>	<u>18,136,628</u>
Capital Assets, net	<u>\$ 18,327,106</u>	<u>\$ (11,960)</u>	<u>\$ (31,818)</u>	<u>\$ 18,283,328</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation has been calculated on the fixed assets using the following useful lives:

Buildings	40 Years
Improvements	20 Years
Machinery and Equipment	3 – 10 Years
Utility Systems	20 Years
Infrastructure	20 Years

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 2 – FIXED ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 101,735
Public Safety	151,474
Public Works	71,153
Culture & Recreation	37,953
Materials Control / Mechanic	<u>989</u>
Total Depreciation Expense – Governmental Activities	\$ <u>363,304</u>
Depreciation expense for Water, Sewer and Gas	\$ <u>784,132</u>

NOTE 3 – RECEIVABLES

Receivables at September 30, 2017, consisted primarily of lease receivables, account receivables (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

All accounts receivable are shown net of an allowance for uncollectible amounts where applicable. The allowance is based on management estimates and the average age of receivables. An allowance has been recorded in the Governmental Activities for uncollectible court fine receivables in the amount of \$514,541 and in Business-Type activities for uncollectable accounts of \$203,034. The City believes that all other accounts receivables are collectible.

NOTE 4 – CAPITAL LEASES RECEIVABLE

The amount reported as capital leases receivable in the governmental activities is comprised of three leases in which the City has leased three buildings to companies for industrial development. The City purchased the first building in 2002, financing it through a bond issue. The City then sold the building to a local business using a capital lease with the same terms of the bonds issued by the City. The City purchased the second building in 2014, financing it through a note issue. The City then sold the building to a local business using a capital lease with the same terms of the note issued by the City. The City purchased the third building in 2015, financing it through two note issues. The City then sold the building to a local business using a capital lease.

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 – CAPITAL LEASE RECEIVABLE (continued)

A summary of the capital leases receivable are as follows:

	<u>Balance</u> <u>10/01/16</u>		<u>Issued</u>		<u>Reduction</u>		<u>Balance</u> <u>9/30/17</u>		<u>Current</u> <u>Receivable</u>
Capital Lease- \$1,440,000 with interest of 2.25% maturing in April, 2017	\$ 290,000	\$	0	\$	290,000	\$	0	\$	0
Capital Lease- with interest of 4.50% maturing in June, 2029	365,183		0		21,473		343,710		22,440
Capital Lease- with interest of 4.00% maturing in January, 2035	<u>668,453</u>		<u>0</u>		<u>25,333</u>		<u>643,120</u>		<u>30,150</u>
Capital Leases	\$ <u>1,323,636</u>	\$	<u>0</u>	\$	<u>336,806</u>	\$	<u>986,830</u>	\$	<u>52,590</u>

The future minimum lease payments of the capital leases receivable at September 30, 2017, are as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>September 30,</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2018	\$	52,590	\$	42,182	\$	94,772
2019		52,919		38,116		91,035
2020		55,177		35,860		91,037
2021		57,604		33,433		91,037
2022		60,124		30,913		91,037
2023-2027		342,040		113,142		455,182
2028-2032		269,089		42,410		311,499
2033-2036		<u>97,287</u>		<u>4,559</u>		<u>101,846</u>
Total	\$	<u>986,830</u>	\$	<u>340,615</u>	\$	<u>1,327,445</u>

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 5 – LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2017:

	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/1/16	\$ 290,000	\$ 5,008,659	\$ 5,298,659
Add: Bonds and Other Long-Term Debt Acquired	0	0	0
Less: Bonds and Other Long-Term Debt Retired	<u>290,000</u>	<u>500,603</u>	<u>790,603</u>
Bonds and Other Long-Term Debt at 9/30/17	\$ <u>0</u>	\$ <u>4,508,056</u>	\$ <u>4,508,056</u>

Bonds and other long-term debt at September 30, 2017 are comprised of the following issues:

Notes Payable:

\$834,819 Mississippi Development Authority Capital Improvements Revolving Loan (CAP) due in 240 monthly installments of \$4,630 through January 1, 2029; interest at 3.0 percent.	\$ 524,890
\$699,875 Mississippi Development Authority Capital Improvements Revolving Loan (CAP) due in 120 monthly installments of \$6,758 through November 1, 2018; interest at 3.0 percent.	95,257
\$268,224 Mississippi Department of Environmental Quality Water Pollution Control Revolving Loan (MDEQ) at an interest rate of 4.0 percent due in 116 monthly installments of \$2,792 through March 1, 2023. The loan will be repaid by a monthly allocation of the City's sales tax revenue.	165,156

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 5 – LONG-TERM DEBT (continued)

\$410,000 Three Rivers Planning & Development District Loan due in 180 monthly installments of \$3,137 through June 1, 2029; interest at 4.5 percent. The City has a lease receivable agreement with Brooks and Dehart Furniture Xpress, Inc. for industrial infrastructure. The lease agreement requires Brooks and Dehart to pay rent monthly in the amount necessary to cover all principal and interest payments, and such rent will continue until note is paid in full.	\$ 343,710
\$6,290,000 Mississippi Department of Environmental Quality Water Pollution Control Revolving Loan (MDEQ) at an interest rate of 1.75 percent due in 232 monthly installments of \$27,987 through June 8, 2026. The loan will be repaid by a monthly allocation of the city's sales tax revenue.	2,722,852
\$96,652 Three Rivers Planning & Development District Loan due in 180 monthly installments of \$715 through January 13, 2030; interest at 4.0 percent.	83,497
\$616,355 Mississippi Development Authority Capital Improvements Revolving Loan (CAP) due in 240 monthly installments of \$3,418 through October 1, 2035; interest at 3.0 percent.	<u>572,694</u>
	\$ <u>4,508,056</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The Annual requirements to amortize all debt outstanding as of September 30, 2017 including interest payments of \$638,282 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 171,256	\$ 52,635	\$ 317,910	\$ 51,438	\$ 489,166	\$ 104,073
2019	111,338	47,567	324,150	45,198	435,488	92,765
2020	98,578	44,218	330,527	38,821	429,105	83,039
2021	102,069	40,726	337,044	32,304	439,113	73,030
2022	105,653	37,143	343,703	25,645	449,356	62,788
2023 – 2027	586,742	127,237	1,234,674	41,493	1,821,416	168,730
2028 – 2032	324,152	48,341	0	0	324,152	48,341
2033 – 2036	<u>120,260</u>	<u>5,516</u>	<u>0</u>	<u>0</u>	<u>120,260</u>	<u>5,516</u>
	\$ <u>1,620,048</u>	\$ <u>403,383</u>	\$ <u>2,888,008</u>	\$ <u>234,899</u>	\$ <u>4,508,056</u>	\$ <u>638,282</u>

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLE

Individual fund interfund receivable and payable balances at September 30, 2017, were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 24,609	\$ 58,352
Enterprise Fund:		
Water and Sewer Fund	39,964	61,052
Gas System Fund	<u>54,831</u>	<u>0</u>
	<u>\$ 119,404</u>	<u>\$ 119,404</u>

NOTE 7 – FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes – General Fund" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$206,671 less than cash revenues.

NOTE 8 – LITIGATION

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the City. In the opinion of the elected officials, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the City if disposed of unfavorably.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description- Employees of the City of Pontotoc are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided- For the cost-sharing plan participating members who are vested and retire at or after age 60 or those retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% 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 2.50% 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 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.

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3% 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% compounded for each fiscal year thereafter.

Employee membership data related to the Plan, as of June 30, 2017 was as follows:

Retirees and Survivors	102,260
Terminated Vested Employees	16,682
Inactive Nonvested Members	50,170
Active Members	<u>152,382</u>
Total	<u><u>321,494</u></u>

Contributions- The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Pontotoc is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended September 30, 2017, the City of Pontotoc's total payroll for all employees was \$3,427,136. Total covered payroll was \$3,266,767. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions- At September 30, 2017, the City of Pontotoc reported a liability of \$8,737,422 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 City of Pontotoc's proportion of the net pension liability was based on a projection of the City of Pontotoc's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the City of Pontotoc's proportion was 0.0525610%.

For the year ended September 30, 2017, the City of Pontotoc recognized pension expense of \$1,526,450. At September 30, 2017, the City of Pontotoc reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Results - Pensions	\$ 125,529	\$ 63,754
City Pension Contributions Subsequent to the Measurement Date	128,246	0
Changes of Assumptions	194,199	14,889
Net Difference Between Projected and Actual Investment Earnings on Investments	0	112,181
Changes in Proportion and Differences Between ER Contributions and Proportionate Share Of ER Contributions	163,901	0
Total	\$ <u>611,875</u>	\$ <u>190,824</u>

The \$128,246 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	<u>Amount</u>
2018	\$ 221,133
2019	206,719
2020	33,729
2021	<u>(168,775)</u>
Total	\$ <u>292,805</u>

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.25-18.50%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022, with male rates set forward one year.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 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%	2.25%
Cash	1.00%	0.00%
Total	100.00%	

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate-The discount rate used to measure the total pension liability was 7.75%. 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 of the City of Pontotoc's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate-The following presents the City of Pontotoc's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the City of Pontotoc'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%) or 1-percentage-point higher (8.75%) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% decrease	6.75%	\$11,459,712
Current discount rate	7.75%	\$8,737,422
1% increase	8.75%	\$6,477,330

Plan Fiduciary Net Position-Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi (PERS) financial report.

NOTE 10 – RISK MANAGEMENT

The City of Pontotoc is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the City except for certain employment practices liabilities, certain environmental liabilities, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverages for which the City retains the risk of loss.

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Workers' Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employer's liability coverage.

The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 10 – RISK MANAGEMENT (continued)

The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2017, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

NOTE 11 – ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for uncollectible court fines and the net pension liability as mentioned in Note 3 and Note 9, respectively. It is at least reasonably possible that the significant estimates used will change within the next year.

NOTE 12 – COMMITMENTS

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 13 – EXPENDITURES OVER APPROPRIATIONS FOR INDIVIDUAL FUNDS

Any expenditures over appropriations at the legal level of budgetary control for the respective funds are disclosed in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the respective fund. Expenditures over appropriations at the legal level or budgetary control are as follows.

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund:			
General Government			
Other Services and Charges	\$ 244,500	\$ 254,979	\$ 10,479
Building Inspection			
Personnel Services	65,234	65,937	703
Materials Control and Mechanic			
Personnel Services	140,886	141,876	990

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 30, 2018, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF THE CITY'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>
A. Pontotoc's proportion of net pension liability (%)	0.052561%	0.049965%	0.048000%
B. Pontotoc's proportionate share of net pension liability	\$8,737,422	\$8,924,997	\$7,426,346
C. Pontotoc's covered employee payroll	\$3,266,767	\$3,256,793	\$3,015,034
D. Pontotoc's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	267.46%	274.04%	246.31%
E. Plan fiduciary net position as a percentage of total pension liability	61.49%	57.47%	61.70%

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

The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
For the Last 10 Fiscal Years
For the Year Ended September 30, 2017

	2017	2016	2015	2014
A. Statutorily required contributions	\$514,519	\$512,945	\$474,871	\$454,556
B. Contributions in relation to statutorily required contributions	\$514,519	\$512,945	\$474,871	\$454,556
C. Contribution deficiency (excess)	\$0	\$0	\$0	\$0
D. Pontotoc's covered employee payroll	\$3,266,767	\$3,256,793	\$3,015,034	\$2,886,063
E. Contributions as a percentage of covered employee payroll	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

CITY OF PONTOTOC, MS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

PENSION SCHEDULES

- (1) Changes in benefit provisions
 - a. 2016
 - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.
- (2) Changes in assumptions
 - a. 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 disable 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 experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
 - b. 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
 - c. 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 Disable 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.
- (3) The comparative information presented on the Schedule of the City's Contributions does not include information for years prior to 2014 because GASB 68 was implemented in the 2015 fiscal year. Information for the 2014 year was included because it was necessary to record the prior period adjustment in the implementation of GASB 68.

COMBINING AND NON-MAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF PONTOTOC, MISSISSIPPI
BALANCE SHEET - GENERAL FUND
September 30, 2017**

ASSETS:

Cash on Deposit - Unrestricted	\$ 2,380,201
Cash on Deposit - Restricted	4,571
Money Market, CD's - Unrestricted	15,770
Accounts Receivable	36,351
Lease Receivable	-
Due from Other Governments	215,856
Due from Other Funds	24,609
Prepaid Insurance	24,688
	<hr/>
TOTAL ASSETS	\$ <u>2,702,046</u>

LIABILITIES AND FUND BALANCE:

LIABILITIES

Accounts Payable & Accrued Expenses	\$ 188,810
Due to Other Governments	77,758
Due to Other Funds	58,352
	<hr/>
Accrued Compensated Absences	-
TOTAL LIABILITIES	<hr/> 324,920

FUND BALANCE

Nonspendable:	
Prepaid Items	24,688
Unemployment Trust	15,770
Restricted:	
Drug Seizure Funds	3,161
Assigned	802,993
Unassigned	1,530,514
	<hr/>
TOTAL FUND BALANCE	<u>2,377,126</u>

TOTAL LIABILITIES AND FUND BALANCE	\$ <u>2,702,046</u>
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CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2017

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Privilege Licenses and Fees	\$ 25,000	\$ 23,480	\$ (1,520)
Road Maintenance	240,000	226,769	(13,231)
Sales Tax	2,465,000	2,458,123	(6,877)
Gasoline Taxes	10,000	8,041	(1,959)
Fire Protection	35,000	31,495	(3,505)
Court Fines and Fees	600,000	360,987	(239,013)
In Lieu of Taxes	205,000	220,224	15,224
School Tax Collection Fees	127,000	131,242	4,242
Lease Rentals	385,050	396,299	11,249
Building Permits and Fees	16,000	12,274	(3,726)
Miscellaneous Revenues	32,700	92,554	59,854
Donations	204,905	204,905	-
Cable Franchise Fees	39,500	42,388	2,888
Interest Income	40,000	50,317	10,317
Penalties and Interest	43,000	42,464	(536)
Park and Recreation	273,815	191,221	(82,594)
Grant Income - Police	-	-	-
Grant Income - Small Municipal	-	-	-
County Fire Rebate	8,000	20,000	12,000
Grant Income - Other	321,691	325,421	3,730
TOTAL REVENUES	5,071,661	4,838,204	(233,457)
EXPENDITURES:			
General Government			
Personnel Services	332,047	294,068	37,979
Supplies	36,500	32,131	4,369
Other Services and Charges	244,500	254,979	(10,479)
Capital Outlay	272,987	31,812	241,175
TOTAL	886,034	612,990	273,044
Public Safety			
Personnel Services	2,206,865	2,119,621	87,244
Supplies	147,350	138,370	8,980
Other Services and Charges	511,700	207,525	304,175
Capital Outlay	50,000	45,778	4,222
TOTAL	2,915,915	2,511,294	404,621
Public Works			
Personnel Services	256,613	251,222	5,391
Supplies	156,500	105,332	51,168
Other Services and Charges	217,650	204,564	13,086
Capital Outlay	60,000	50,863	9,137
TOTAL	690,763	611,981	78,782

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued
For the Year Ended September 30, 2017

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Culture and Recreation			
Personnel Services	\$ 230,654	\$ 221,820	\$ 8,834
Supplies	131,700	123,317	8,383
Professional Services	110,350	85,684	24,666
Capital Outlay	11,000	10,746	254
TOTAL	<u>483,704</u>	<u>441,567</u>	<u>42,137</u>
Urban and Economic Development			
Capital Outlay	-	-	-
TOTAL	<u>-</u>	<u>-</u>	<u>-</u>
Building Inspection			
Personnel Services	65,234	65,937	(703)
Supplies	3,850	2,389	1,461
Other Services and Charges	8,000	2,740	5,260
Capital Outlay	-	-	-
TOTAL	<u>77,084</u>	<u>71,066</u>	<u>6,018</u>
Materials Control and Mechanic			
Personnel Services	140,886	141,876	(990)
Supplies	8,050	6,781	1,269
Other Services and Charges	9,070	5,305	3,765
Capital Outlay	6,000	406	5,594
TOTAL	<u>164,006</u>	<u>154,368</u>	<u>9,638</u>
Debt Service			
Principal	458,565	453,803	4,762
Interest	63,352	63,352	-
TOTAL	<u>521,917</u>	<u>517,155</u>	<u>4,762</u>
TOTAL EXPENDITURES	<u>5,739,423</u>	<u>4,920,421</u>	<u>819,002</u>
EXCESS (DEFICIT) REVENUES OVER (UNDER)			
EXPENDITURES	<u>(667,762)</u>	<u>(82,217)</u>	<u>585,545</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Debt Issuance	-	-	-
Sale of Capital Assets	-	-	-
Operating Transfers In	650,788	671,841	21,053
Operating Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>650,788</u>	<u>671,841</u>	<u>21,053</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES			
OVER (UNDER) EXPENDITURES AND OTHER USES	(16,974)	589,624	606,598
Fund Balances at October 1, 2016	1,994,173	1,994,173	-
Fund Balances at September 30, 2017	\$ <u>1,977,199</u>	\$ <u>2,583,797</u>	\$ <u>606,598</u>
Adjustments To GAAP Basis:			
Add: Accrued Revenue		(206,671)	
Fund Balance GAAP September 30, 2017		\$ <u><u>2,377,126</u></u>	

CITY OF PONTOTOC, MISSISSIPPI
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Non-Major Debt Service	Non-Major Special Revenue	Total Non-Major Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit - Unrestricted	-	72,886	72,886
Cash on Deposit - Restricted	\$ -	\$ 167,138	\$ 167,138
Due From Other Governments	-	36,287	36,287
	<u>-</u>	<u>36,287</u>	<u>36,287</u>
 TOTAL ASSETS	 \$ <u>-</u>	 \$ <u>276,311</u>	 \$ <u>276,311</u>

LIABILITIES AND FUND BALANCES:

LIABILITIES:

Accounts Payable	\$ -	\$ 11,627	\$ 11,627
TOTAL LIABILITIES	<u>-</u>	<u>11,627</u>	<u>11,627</u>

FUND BALANCES:

Restricted			
Debt Service	-	-	-
Tourism	-	264,684	264,684
TOTAL FUND BALANCES	<u>-</u>	<u>264,684</u>	<u>264,684</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>-</u>	 \$ <u>276,311</u>	 \$ <u>276,311</u>

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	Non-Major Debt Service			Non-Major Special Revenue			Totals			
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
REVENUES:										
Tourism Taxes	\$	-	\$	-	\$	410,000	\$	431,996	\$	21,996
Fire Protection	-	-	-	-	-	-	-	-	-	-
Lease Rental	-	-	-	-	-	-	-	-	-	-
RIF Grant	-	-	-	-	88,879	88,879	-	88,879	-	-
Interest Income	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenue	-	-	-	-	1,001	1,001	-	1,001	-	1,001
Donations	-	-	-	-	15,000	15,000	-	15,000	-	15,000
TOTAL REVENUES	-	-	-	-	498,879	498,879	-	536,876	-	37,997
EXPENDITURES:										
Capital Outlay	-	-	-	-	112,892	112,892	-	112,892	-	-
Culture and Recreation	-	-	-	-	321,192	321,192	-	321,192	-	-
Debt Service	-	-	-	-	25,000	25,000	-	25,000	-	118,532
TOTAL	-	-	-	-	459,084	459,084	-	459,084	-	118,532
TOTAL EXPENDITURES	-	-	-	-	459,084	459,084	-	459,084	-	118,532
EXCESS (DEFICIT) REVENUES OVER (UNDER)	-	-	-	-	39,795	39,795	-	39,795	-	156,529
EXPENDITURES	-	-	-	-	-	-	-	196,324	-	156,529
OTHER FINANCING SOURCES (USES):										
Transfers to Other Funds	-	(21,053)	(21,053)	-	(125,000)	125,000	-	(146,053)	-	103,947
Transfer from Other Funds	-	-	-	-	-	-	-	-	-	-
Proceeds from Issuance of Debt	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(21,053)	(21,053)	-	(125,000)	125,000	-	(146,053)	-	103,947
Net Change in Fund Balances	-	(21,053)	(21,053)	39,795	71,324	281,529	39,795	50,271	260,476	260,476
Fund Balances at October 1, 2016	21,053	21,053	-	189,141	189,141	-	210,194	210,194	-	-
Fund Balances at September 30, 2017	\$	21,053	\$	-	\$	228,936	\$	260,465	\$	260,465
Adjustments to GAAP Basis:										
Add: Accrued Revenue	-	-	-	-	4,219	4,219	-	4,219	-	4,219
Fund Balance GAAP September 30, 2017	\$	-	\$	-	\$	264,684	\$	264,684	\$	264,684

OTHER SUPPLEMENTARY INFORMATION

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2017

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Jessica Sullivan	City Clerk	Old Republic Surety Company	\$50,000
Randy Tutor	Chief of Police	Old Republic Surety Company	\$50,000
Jamie Sappington	Deputy Tax Collector	Old Republic Surety Company	\$50,000
Terri Flaherty	Deputy City Clerk	Old Republic Surety Company	\$50,000
Kim King	Office Clerk	Old Republic Surety Company	\$50,000
Veronica Long	Court Clerk	Old Republic Surety Company	\$50,000
Will Tutor	Office Collection	Old Republic Surety Company	\$50,000
Martin Ball	Office Collection	Old Republic Surety Company	\$50,000
Tommy Caldwell	Office Collection	Old Republic Surety Company	\$50,000
Tim Gunter	Purchasing Agent	Old Republic Surety Company	\$50,000
Valeri Watts	Office Clerk	Old Republic Surety Company	\$50,000
Karen Washington	Office Clerk	Old Republic Surety Company	\$50,000
Terry Williamson	Bldg Inspector	Old Republic Surety Company	\$50,000
Sherika Knight	P.D. Office Clerk	Old Republic Surety Company	\$50,000
Robert Peebles	Mayor	Old Republic Surety Company	\$50,000
David White	Alderman	Old Republic Surety Company	\$100,000
Lena Chewe	Alderwoman	Old Republic Surety Company	\$100,000
Tommy Patterson	Alderman	Old Republic Surety Company	\$100,000
Dennis R. Simmons	Alderman	Old Republic Surety Company	\$100,000
Rayburn Mapp	Alderman	Old Republic Surety Company	\$100,000
Jimmy Farris	Deputy	Old Republic Surety Company	\$50,000
Mark Baldwin	Deputy	Old Republic Surety Company	\$50,000
Chad Mills	Deputy	Old Republic Surety Company	\$50,000
Shad Long	Deputy	Old Republic Surety Company	\$50,000
Terry Farr	Park & Rec Director	Old Republic Surety Company	\$50,000
Mike Doss	Deputy	Old Republic Surety Company	\$50,000
Greg Bedford	Deputy	Old Republic Surety Company	\$50,000
Jeremy Boone	Park & Rec Employee	Old Republic Surety Company	\$50,000
Kevin Rodgers	Deputy	Old Republic Surety Company	\$50,000
Jason Collier	Deputy	Old Republic Surety Company	\$50,000
Donna Butler	Deputy Clerk	Old Republic Surety Company	\$50,000
Kurtis Gregory	Deputy	Old Republic Surety Company	\$50,000
Raymond Owen	Deputy	Old Republic Surety Company	\$50,000
Eric Farris	Deputy	Old Republic Surety Company	\$50,000
Casey Sappington	Deputy	Old Republic Surety Company	\$50,000
Jacob Chisholm	Deputy	Old Republic Surety Company	\$50,000
Alex Fauver	Deputy	Old Republic Surety Company	\$50,000
Tanner Golding	Deputy	Old Republic Surety Company	\$50,000
Roberta Tutor	Caretaker	Old Republic Surety Company	\$50,000

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Year Ended September 30, 2017

	BALANCE OUTSTANDING October 1, 2016	TRANSACTIONS DURING FISCAL YEAR		BALANCE OUTSTANDING September 30, 2017
		ISSUED	REDEEMED	
<u>General Obligation Bonds</u>				
Industrial Taxable Refunding Bonds	\$ 290,000	\$ -	\$ 290,000	\$ -
<u>Other Long Term Debt</u>				
MDA CAP Fire Truck	172,179	-	76,922	95,257
MDEQ Water Pollution Rev. Loan	3,008,330	-	285,478	2,722,852
MDA Capital Improvements Loan	563,868	-	38,978	524,890
MDEQ Water Pollution Emergency Loan	191,478	-	26,322	165,156
Note Payable to Three Rivers Planning and Development District	365,183	-	21,473	343,710
MDA CAP Loan	594,032	-	21,338	572,694
Note Payable to BizCapital Bidco II LLC	25,000	-	25,000	-
Note Payable to Three Rivers Planning and Development District	88,589	-	5,092	83,497
TOTAL	\$ 5,298,659	\$ -	\$ 790,603	\$ 4,508,056

OTHER REPORTS

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

Honorable Mayor and Board of Aldermen
City of Pontotoc, 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 the City of Pontotoc, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Pontotoc, Mississippi's basic financial statements and have issued our report thereon dated August 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pontotoc, 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 the City of Pontotoc, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pontotoc, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as finding 1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses as finding 2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pontotoc, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance 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 responses as finding 2.

City of Pontotoc, Mississippi's Response to Findings

City of Pontotoc, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Pontotoc, Mississippi'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
August 30, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderman
City of Pontotoc, Mississippi

We have audited the financial statements of the City of Pontotoc, Mississippi, as of and for the year ended September 30, 2017, and have issued our report thereon dated August 30, 2018. 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 the *Government Auditing Standards*.

As required by the State legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed one instance of noncompliance with state laws and regulations. Our finding and recommendation and your response are included in the Schedule of Findings and Responses as finding 2.

This report is intended for the information of management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
August 30, 2018

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2017

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1 (material weakness)

Criteria: The City is to maintain adequate internal controls to ensure accurate processing of transactions for the fair presentation of its financial records.

Cause of Condition: The City's internal control did not provide for adequate segregation of duties in relation to the collection, processing and administering of park and recreation fees. The City's size and number of personnel in these departments limit the opportunities for adequate segregation of duties.

Recommendation: The City should consider segregation of duties in all areas of the accounting system. The City should consider job descriptions for various employees. Due to the size and number of employees, optimal segregation of duties will be difficult; however, the City should strengthen segregation of duties in all areas possible.

Response: The City will analyze the accounting system and establish procedures that provide clear segregation of duties.

FINDING NO. 2 (significant deficiency, noncompliance)

Criteria: The City is required, by state statutes, to prepare a budget for all required governmental funds of the City and to monitor and modify the budget as necessary to ensure all expenditures are within the budgeted amounts.

Cause of Condition: The City had budget overages in three expenditure categories for the year ended September 30, 2017.

Recommendation: The City should ensure that all expenditures are within the final amended budget amounts. The City Clerk should generate monthly budget to actual revenue and expense reports that should be used to ensure budgets are amended before expenses are disbursed in excess of budgeted amounts.

Response: The City will take steps necessary to provide the Board with accurate revenue and expense budget to actual comparisons on a monthly basis for all required accounts. The City will take steps necessary to ensure that budgets are amended prior to budget overages occurring.

**Finding 1 was a finding in the prior year.*

**Finding 1 is a material weaknesses.*

**Finding 2 is a significant deficiency.*

**Finding 2 is a noncompliance finding.*