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PONTOTOC COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS AND
SPECIAL REPORTS

For the Year Ended September 30, 2018

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

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PONTOTOC COUNTY, MISSISSIPPI

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Pontotoc County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pontotoc County, Mississippi, (the County) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

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

INDEPENDENT AUDITOR'S REPORT

- Continued -

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Pontotoc County, Mississippi, as of September 30, 2018 or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 10 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities, the business-type activities and the Solid Waste Fund and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities, the business-type activities, and the Solid Waste Fund. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities, the business-type activities, and the Solid Waste Fund has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Governmental Activities, Business-type Activities, and the Solid Waste Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and the Solid Waste Fund of Pontotoc County, Mississippi, as of September 30, 2018, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund, County-wide Road Maintenance Fund, the Pride Mobility Fund and the aggregate remaining fund information of Pontotoc County, Mississippi, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT

- Continued -

Omission of Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pontotoc County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2019, on our consideration of Pontotoc County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pontotoc County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pontotoc County, Mississippi's internal control over financial reporting and compliance.

M. M. Winkler & Associates, PLLC

September 4, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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PONTOTOC COUNTY, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2018

INTRODUCTION

The discussion and analysis of Pontotoc County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2018. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

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

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

FINANCIAL HIGHLIGHTS

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

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

Total net position decreased from \$53,089,891 in FY 2017 to \$50,255,443, which represents a decrease of 5.34%. The county's cash balance increased from \$8,634,241 in FY 2017 to \$10,225,025, which represents an increase of 18.42%.

The county had \$17,007,708 in total revenues. Property tax revenues account for \$9,757,465 or 57.37% of total revenues. Program specific revenues in the form of charges for services and grants accounted for \$5,699,821 or 33.51% of total revenues.

The county had \$19,842,156 in total expenses which represents an increase of \$1,723,877 or 9.51% from the prior fiscal year. Expenses in the amount of \$5,699,821 were offset by program specific revenues in the form of charges for services and grants. With general revenues in the amount of \$11,307,887 a net decrease in net position occurred of \$2,834,448.

Among major funds, the General Fund had \$8,498,808 in revenues and \$8,148,820 in expenditures. The General Fund's fund balance increased \$354,080 over the prior year.

Among major funds, the County Wide Road Maintenance Fund had \$3,416,734 in revenues and \$1,635,524 in expenditures. The County Wide Road Maintenance Fund balance decreased \$55,788 from the prior year. The decrease in fund balance is due to transfers out to each district road fund.

FINANCIAL HIGHLIGHTS - Continued

Among major funds, the Pride Mobility Fund had \$52,208 in revenues and \$158,530 in expenditures. The Pride Mobility Fund balance increased \$27 over the prior year.

The Solid Waste Fund had \$1,406,654 in revenues and \$1,433,111 in expenses. The Solid Waste Fund net position decreased \$26,457 over the prior year.

Net investment in capital assets, decreased by \$2,639,811. This decrease is mainly due to the depreciation of assets.

Total long-term debt increased by \$146,940.

Net pension liability increased \$505,308.

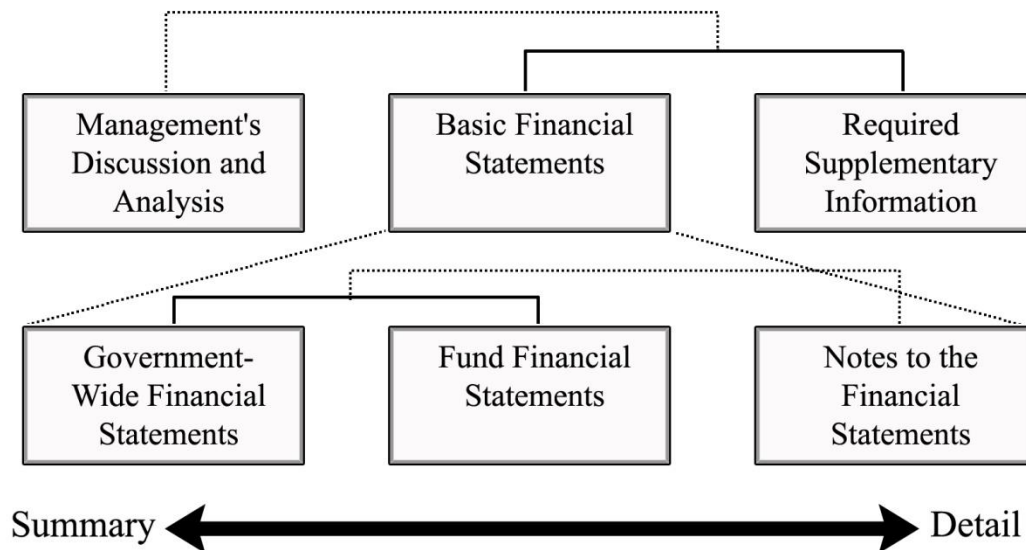
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



OVERVIEW OF THE FINANCIAL STATEMENTS - continued

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS – Continued

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

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

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

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

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

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

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

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

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

The basic governmental funds financial statements can be found on pages 25 and 27 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS – Continued

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

Fund financial statements for the proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Fund is considered to be a major fund of the County. The proprietary fund financial statements can be found on pages 29 through 31 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary assets and liabilities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 32 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 33 through 59 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. Also, with the County implementation of GASB 68 and 71 the Schedule of the County's Proportionate Share of the Net Pension Liability and Schedule of County's Contributions have been provided. This required supplementary information can be found on pages 63 through 68 of this report.

Additionally, a schedule of expenditures of federal awards and related notes is required by Uniform Guidance and can be found on page 71 and 72 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Net position may serve over time as a useful indicator of government's financial position. In the case of Pontotoc County, assets and deferred outflows exceeded liabilities and deferred inflows by \$50,255,443 as of September 30, 2018.

By far, the largest portion of the County's net position, 102.55%, reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and improvements other than buildings) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

The following table presents a summary of the County's net position at September 30, 2018 and 2017.

| | Governmental | | Business-type | | Total | | Percent |
|----------------------------|---------------|-------------|---------------|-------------|-------------|-------------|---------|
| | Activities | | Activities | | Total | | Change |
| Assets: | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | |
| Current assets | \$ 25,605,464 | 24,645,165 | 1,045,327 | 1,142,812 | 26,650,791 | 25,787,977 | 3.35% |
| Capital assets, net | 56,538,864 | 58,298,665 | 521,215 | 302,372 | 57,060,079 | 58,601,037 | -2.63% |
| Total assets | \$ 82,144,328 | 82,943,830 | 1,566,542 | 1,445,184 | 83,710,870 | 84,389,014 | -0.80% |
| Deferred Outflows | \$ 1,092,421 | 1,321,029 | 64,507 | 82,768 | 1,156,928 | 1,403,797 | -17.59% |
| Liabilities: | | | | | | | |
| Current liabilities | \$ 2,095,549 | 1,117,170 | 160,910 | 159,596 | 2,256,459 | 1,276,766 | 76.73% |
| Long-term debt | 12,524,198 | 12,441,264 | 223,400 | 159,394 | 12,747,598 | 12,600,658 | 1.17% |
| Net pension liability | 10,329,074 | 9,874,296 | 1,147,672 | 1,097,142 | 11,476,746 | 10,971,438 | 4.61% |
| Total liabilities | \$ 24,948,821 | 23,432,730 | 1,531,982 | 1,416,132 | 26,480,803 | 24,848,862 | 6.57% |
| Deferred inflows | \$ 8,103,060 | 7,839,270 | 28,492 | 14,788 | 8,131,552 | 7,854,058 | 3.53% |
| Net position: | | | | | | | |
| Net Inv. in capital assets | \$ 51,217,906 | 54,024,290 | 320,231 | 153,658 | 51,538,137 | 54,177,948 | -4.87% |
| Restricted | 6,588,252 | 6,738,859 | - | - | 6,588,252 | 6,738,859 | -2.23% |
| Unrestricted | (7,621,290) | (7,770,290) | (249,656) | (56,626) | (7,870,946) | (7,826,916) | 0.56% |
| Total net position | \$ 50,184,868 | 52,992,859 | 70,575 | 97,032 | 50,255,443 | 53,089,891 | -5.34% |

Additional information on unrestricted net position:

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

| | |
|--|---------------------|
| Total unrestricted net position | \$ (7,870,946) |
| Less unrestricted deficit in net position resulting from recognition of GASB 68 and 71 | <u>11,116,588</u> |
| Unrestricted net position, exclusive of the net pension liability effect | <u>\$ 3,245,642</u> |

Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee of \$10.00 per household. This business-type activity also furnishes various size dumpsters, varying collection schedules, and disposal of garbage at varying rates. This business-type activity generated \$1,398,714 in charges for services for the proprietary fund for the year ended September 30, 2018.

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

- The County work on replacing bridges and roads for \$256,877, continued work on a T hanger for \$420,313, and acquired vehicles and equipment for \$1,211,145 during fiscal year 2018. Current year depreciation expense was \$3,385,301.
- The County issued \$2,041,768 of debt, \$975,000 in general obligation bonds for road repairs, \$633,075 in capital leases for mobile equipment and equipment and \$433,693 in other loans for E-911 upgrade. The County made \$1,936,053 in debt payments.
- The Ad Valorem Tax Fee-In-Lieu receivable decreased by \$510,834 due to receipt of payment and adjustment to estimated present value.
- The County's net pension liability increased \$505,308 along with related deferred outflows decrease of \$182,600 and deferred inflows increase of \$137,036 and recognition of pension expense of \$1,537,362.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Changes in Net Positions – Pontotoc County's total revenues for the fiscal year ended September 30, 2018 were \$17,007,708. The total cost for all services provided was \$19,842,156. The decrease in net position was \$2,834,448. The following table presents a summary of the changes in net position for each of the fiscal year ended September 30, 2018 and 2017.

| | Governmental Activities | | Business-type Activities | | Total | | Percent Change |
|--|-------------------------|--------------------|--------------------------|------------------|--------------------|--------------------|----------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | |
| Revenues: | | | | | | | |
| Program revenues | | | | | | | |
| Charges for services | \$ 1,503,721 | 1,529,955 | 1,398,714 | 1,408,592 | 2,902,435 | 2,938,547 | -1.23% |
| Operating grants and contributions | 2,031,394 | 2,334,388 | - | - | 2,031,394 | 2,334,388 | -12.98% |
| Capital grants and contributions | 765,992 | 457,225 | - | - | 765,992 | 457,225 | 67.53% |
| General revenues | | | | | | | |
| Property taxes | 9,757,465 | 9,642,071 | - | - | 9,757,465 | 9,642,071 | 1.20% |
| Road & Bridge privilege taxes | 397,712 | 389,796 | - | - | 397,712 | 389,796 | 2.03% |
| Ad Valorem tax fee on-lieu | 286,605 | 241,416 | - | - | 286,605 | 241,416 | 18.72% |
| Other Grants and contributions | 504,363 | 500,149 | - | - | 504,363 | 500,149 | 0.84% |
| Other | 353,802 | 458,540 | 7,940 | 3,394 | 361,742 | 461,934 | -21.69% |
| Total Revenues | \$ 15,601,054 | 15,553,540 | 1,406,654 | 1,411,986 | 17,007,708 | 16,965,526 | 0.25% |
| Expenses: | | | | | | | |
| General government | 3,812,445 | 3,770,511 | - | - | 3,812,445 | 3,770,511 | 1.11% |
| Public safety | 4,154,003 | 3,794,078 | - | - | 4,154,003 | 3,794,078 | 9.49% |
| Public works | 7,606,521 | 6,409,716 | - | - | 7,606,521 | 6,409,716 | 18.67% |
| Health and welfare | 294,968 | 278,993 | - | - | 294,968 | 278,993 | 5.73% |
| Culture and recreation | 522,022 | 446,699 | - | - | 522,022 | 446,699 | 16.86% |
| Conservation of natural resources | 109,240 | 106,972 | - | - | 109,240 | 106,972 | 2.12% |
| Economic development | 122,646 | 110,666 | - | - | 122,646 | 110,666 | 10.83% |
| Interest on long-term debt | 403,574 | 452,702 | - | - | 403,574 | 452,702 | -10.85% |
| Pension Expense | 1,383,626 | 1,443,077 | - | - | 1,383,626 | 1,443,077 | -4.12% |
| Solid waste collection & disposal | - | - | 1,433,111 | 1,304,865 | 1,433,111 | 1,304,865 | 9.83% |
| Total Expenses | \$ 18,409,045 | 16,813,414 | 1,433,111 | 1,304,865 | 19,842,156 | 18,118,279 | 9.51% |
| Increase (Decrease) in Net Position | \$ (2,807,991) | (1,259,874) | (26,457) | 107,121 | (2,834,448) | (1,152,753) | 145.89% |

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

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

| | | Total Costs of Services | | Net (Expense) Revenue | | Percent |
|--------------------------------------|----|-------------------------|-------------|-----------------------|-------------|----------|
| | | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | Change |
| General government | \$ | 3,812,445 | 3,770,511 | (3,042,216) | (2,994,043) | -1.61% |
| Public safety | | 4,154,003 | 3,794,078 | (3,233,367) | (2,810,800) | -15.03% |
| Public works | | 7,606,521 | 6,409,716 | (5,067,307) | (3,930,292) | -28.93% |
| Health & welfare | | 294,968 | 278,993 | (236,240) | (196,595) | -20.17% |
| Culture and recreation | | 522,022 | 446,699 | (522,022) | (446,699) | -16.86% |
| Conservation of natural recourses | | 109,240 | 106,972 | (109,240) | (106,972) | -2.12% |
| Economic development | | 122,646 | 110,666 | (110,346) | (110,666) | 0.29% |
| Interest on long-term debt | | 403,574 | 452,702 | (403,574) | (452,702) | 10.85% |
| Pension Expense | | 1,383,626 | 1,443,077 | (1,383,626) | (1,443,077) | 4.12% |
| Solid Waste | | 1,433,111 | 1,304,865 | (34,397) | 103,727 | -133.16% |

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Pontotoc County's governmental funds reported a combined fund balance of \$8,014,974, an increase of \$732,423.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$354,080.

Business-type funds – Operating revenue from the County's Garbage Collection Fund decreased by 0.70% to \$1,398,714 and expenses increased by 9.83% to \$1,433,111.

BUDGETARY HIGHLIGHTS

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

- Final budget to actual as required by state law.

BUDGETARY HIGHLIGHTS - Continued

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2018, Pontotoc County's total capital assets were \$110,634,873. This includes land, infrastructure, buildings, mobile equipment, furniture and equipment, leased property under capital lease, and improvements other than buildings. This amount represents an increase from the previous year of \$1,497,474.

Total accumulated depreciation as of September 30, 2018 was \$53,574,794, including \$3,385,301 depreciation expense for the year. The balance in total net capital assets was \$57,060,079 at year-end.

Additional information on Pontotoc County's capital assets can be found in note 6 on pages 45 and 46 of this report.

Debt Administration – At September 30, 2018, Pontotoc County had \$12,747,598 in long-term debt outstanding. This is a increase over prior year of \$146,940, that is due to debt issues totaling \$975,000 in general obligation bonds \$633,075 in capital leases, \$433,693 in other loans and increase in compensated absences of \$41,225, and \$1,936,053 in debt payments. Of this debt, \$1,879,033 is due within one year.

Additional information on Pontotoc County's long-term debt can be found in note 12 on pages 53 through 55 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Pontotoc County is planning some major capital projects, such as more economic development throughout our county with great expectations of a major Toyota Tier I supplier locating in our new industrial park. Major road and bridge projects are planned with State Aid Road funds, and the County the funding of \$975,000 in General Obligation Bonds in July 2018 for infrastructure improvement.

Pontotoc County along with the City of Pontotoc is looking for additional jobs to be created with the expansion of Southern Motion and Behold Washington. Job creation did and continues to occur with current expansions underway with other industries.

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

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

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

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

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

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

CURRENT AND FUTURE ITEMS OF IMPACT - Continued

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

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

According to the July 2019 Unemployment Rates released by the MS Department of Employment Security, Pontotoc County has a relatively low unemployment rate of 4.9%, which compares favorably with the state average rate of 6.1% and national average rate of 4.0%. Pontotoc County is one of only six counties in Mississippi with an Unemployment Rate below 5%.

Pontotoc County has pledged \$ 100,000 per year for ten years to a Community College Tuition Assistance Program in an effort to see that any child graduating from high school in Pontotoc County can attend Itawamba Community College for further education. Pontotoc County has met nine years of the commitment with one year remaining. Ashley Furniture committed to make payments for the last three years of Pontotoc County's pledge, thus adding \$100,000 annually back to the County's General Fund Budget.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

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Pontotoc County, Mississippi
Statement of Net Position
September 30, 2018

Exhibit 1

| | Primary Government | | |
|---|----------------------|---------------------|----------------------|
| | Governmental | Business-type | Total |
| | Activities | Activities | |
| ASSETS | | | |
| Cash | \$ 9,441,265 | \$ 783,760 | \$ 10,225,025 |
| Property tax receivable | 7,346,300 | - | 7,346,300 |
| Accounts receivable, (net of allowance for uncollectibles of \$1,036,289) | - | 155,428 | 155,428 |
| Fines receivable, (net of allowance for uncollectibles of \$1,624,474) | 210,846 | - | 210,846 |
| Intergovernmental receivables | 705,185 | 3,341 | 708,526 |
| Other receivables | 56,636 | 102,798 | 159,434 |
| Internal balances | - | - | - |
| Capital lease receivable | 2,585,003 | - | 2,585,003 |
| Ad valorem tax fee in-lieu receivable, net | 5,260,229 | - | 5,260,229 |
| Capital assets: | | | |
| Land and construction in progress | 4,154,424 | - | 4,154,424 |
| Other capital assets, net | 52,384,440 | 521,215 | 52,905,655 |
| Total Assets | \$ 82,144,328 | \$ 1,566,542 | \$ 83,710,870 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | \$ 580,564 | \$ 64,507 | \$ 645,071 |
| Deferred amount on refunding | 511,857 | - | 511,857 |
| Total Deferred Outflows of Resources | \$ 1,092,421 | \$ 64,507 | \$ 1,156,928 |
| LIABILITIES | | | |
| Claims payable | \$ 1,473,334 | \$ 51,760 | \$ 1,525,094 |
| Intergovernmental payables | 319,066 | - | 319,066 |
| Accrued interest payable | 51,053 | - | 51,053 |
| Unearned revenue | - | 109,150 | 109,150 |
| Amounts held in custody for others | 252,096 | - | 252,096 |
| Long-term liabilities | | | |
| Net pension liability | 10,329,074 | 1,147,672 | 11,476,746 |
| Due within one year: | | | |
| Capital debt | 957,570 | 96,315 | 1,053,885 |
| Non-capital debt | 825,148 | - | 825,148 |
| Due in more than one year: | | | |
| Capital debt | 4,362,732 | 104,669 | 4,467,401 |
| Non-capital debt | 6,378,748 | 22,416 | 6,401,164 |
| Total Liabilities | \$ 24,948,821 | \$ 1,531,982 | \$ 26,480,803 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | \$ 256,421 | \$ 28,492 | \$ 284,913 |
| Deferred revenues - property taxes | 7,346,300 | - | 7,346,300 |
| Deferred revenues -lease receivable interest | 428,198 | - | 428,198 |
| Deferred inflows amount on refunding | 72,141 | - | 72,141 |
| Total Deferred Inflows of Resources | \$ 8,103,060 | \$ 28,492 | \$ 8,131,552 |
| NET POSITION | | | |
| Net investment in capital assets | \$ 51,217,906 | \$ 320,231 | \$ 51,538,137 |
| Restricted for: | | | |
| Expendable: | | | |
| Debt service | 540,556 | - | 540,556 |
| Public safety | 1,381,996 | - | 1,381,996 |
| Public works | 3,727,753 | - | 3,727,753 |
| Health and welfare | 39,382 | - | 39,382 |
| Culture and recreation | 94,085 | - | 94,085 |
| Economic development | 804,480 | - | 804,480 |
| Unrestricted | (7,621,290) | (249,656) | (7,870,946) |
| Total Net Position | \$ 50,184,868 | \$ 70,575 | \$ 50,255,443 |

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

Pontotoc County, Mississippi
Statement of Activities
For the Year Ended September 30, 2018

Exhibit 2

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 3,812,445 | \$ 743,221 | \$ 27,008 | \$ - | \$ (3,042,216) | | \$ (3,042,216) |
| Public safety | 4,154,003 | 757,958 | 162,678 | - | (3,233,367) | | (3,233,367) |
| Public works | 7,606,521 | 2,542 | 1,782,980 | 753,692 | (5,067,307) | | (5,067,307) |
| Health and welfare | 294,968 | - | 58,728 | - | (236,240) | | (236,240) |
| Culture and recreation | 522,022 | - | - | - | (522,022) | | (522,022) |
| Conservation of natural resources | 109,240 | - | - | - | (109,240) | | (109,240) |
| Economic development and assistance | 122,646 | - | - | 12,300 | (110,346) | | (110,346) |
| Interest on long-term debt | 403,574 | - | - | - | (403,574) | | (403,574) |
| Pension expense | 1,383,626 | - | - | - | (1,383,626) | | (1,383,626) |
| Total Governmental Activities | \$ 18,409,045 | \$ 1,503,721 | \$ 2,031,394 | \$ 765,992 | \$ (14,107,938) | | \$ (14,107,938) |
| Business-type activities: | | | | | | | |
| Solid waste | \$ 1,433,111 | \$ 1,398,714 | \$ - | \$ - | \$ - | \$ (34,397) | \$ (34,397) |
| Total Business-type Activities | \$ 1,433,111 | \$ 1,398,714 | \$ - | \$ - | \$ - | \$ (34,397) | \$ (34,397) |
| Total Primary Government | \$ 19,842,156 | \$ 2,902,435 | \$ 2,031,394 | \$ 765,992 | \$ (14,107,938) | \$ (34,397) | \$ (14,142,335) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | \$ 9,757,465 | \$ - | \$ 9,757,465 |
| Road & bridge privilege taxes | | | | | 397,712 | - | 397,712 |
| Ad Valorem tax fee-in-lieu revenue | | | | | 286,605 | - | 286,605 |
| Grants and contributions not restricted to specific programs | | | | | 504,363 | - | 504,363 |
| Unrestricted investment income | | | | | 121,913 | 3,255 | 125,168 |
| Miscellaneous | | | | | 231,889 | 4,685 | 236,574 |
| Total General Revenues | | | | | \$ 11,299,947 | \$ 7,940 | \$ 11,307,887 |
| Changes in Net Position | | | | | \$ (2,807,991) | \$ (26,457) | \$ (2,834,448) |
| Net Position - Beginning | | | | | \$ 52,992,859 | \$ 97,032 | \$ 53,089,891 |
| Net Position - Ending | | | | | \$ 50,184,868 | \$ 70,575 | \$ 50,255,443 |

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

Pontotoc County, Mississippi
Balance Sheet - Governmental Funds
September 30, 2018

Exhibit 3

| | Major Funds | | | Other | Total |
|--|---------------------|---------------------|---------------------|---------------------|----------------------|
| | General | County Wide | Pride Mobility | Governmental | Governmental |
| | Fund | Road Maintenance | Fund | Funds | Funds |
| | | Fund | | | |
| ASSETS | | | | | |
| Cash | \$ 2,080,052 | \$ 389,731 | \$ 15,465 | \$ 6,956,017 | \$ 9,441,265 |
| Property tax receivable | 4,780,500 | 1,322,300 | - | 1,243,500 | 7,346,300 |
| Fines receivable (net of allowance for uncollectibles of \$ 1,624,474) | 210,846 | - | - | - | 210,846 |
| Capital lease receivable | - | - | 1,730,619 | 854,384 | 2,585,003 |
| Intergovernmental receivables | 503,227 | 52,529 | - | 149,429 | 705,185 |
| Other receivables | 11,369 | - | - | 45,267 | 56,636 |
| Due from other funds | 1,326 | 31,779 | - | 57,742 | 90,847 |
| Advances to other funds | - | - | - | 39,063 | 39,063 |
| Total Assets | <u>\$ 7,587,320</u> | <u>\$ 1,796,339</u> | <u>\$ 1,746,084</u> | <u>\$ 9,345,402</u> | <u>\$ 20,475,145</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Claims payable | \$ 184,991 | \$ 22,684 | \$ - | \$ 1,265,659 | \$ 1,473,334 |
| Intergovernmental payables | 302,357 | 16,709 | - | - | 319,066 |
| Due to other funds | 89,521 | - | - | 1,326 | 90,847 |
| Advances from other funds | - | - | - | 39,063 | 39,063 |
| Amounts held in custody for others | 252,096 | - | - | - | 252,096 |
| Total Liabilities | <u>\$ 828,965</u> | <u>\$ 39,393</u> | <u>\$ -</u> | <u>\$ 1,306,048</u> | <u>\$ 2,174,406</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| Unavailable revenue - property taxes | \$ 4,780,500 | \$ 1,322,300 | \$ - | \$ 1,243,500 | \$ 7,346,300 |
| Unavailable revenue - capital leases | - | - | 1,730,619 | 854,384 | 2,585,003 |
| Unavailable revenue - fines | 210,846 | - | - | - | 210,846 |
| Unavailable revenue - Intergovernmental receivable | 143,616 | - | - | - | 143,616 |
| Total Deferred Inflows of Resources | <u>\$ 5,134,962</u> | <u>\$ 1,322,300</u> | <u>\$ 1,730,619</u> | <u>\$ 2,097,884</u> | <u>\$ 10,285,765</u> |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Public Safety | \$ - | \$ - | \$ - | \$ 1,381,996 | \$ 1,381,996 |
| Public Works | - | 434,646 | - | 3,299,400 | 3,734,046 |
| Health and welfare | - | - | - | 39,382 | 39,382 |
| Culture and recreation | - | - | - | 95,798 | 95,798 |
| Economic development | - | - | 15,465 | 541,290 | 556,755 |
| Debt service | - | - | - | 583,604 | 583,604 |
| Unassigned | 1,623,393 | - | - | - | 1,623,393 |
| Total Fund Balances | <u>\$ 1,623,393</u> | <u>\$ 434,646</u> | <u>\$ 15,465</u> | <u>\$ 5,941,470</u> | <u>\$ 8,014,974</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 7,587,320</u> | <u>\$ 1,796,339</u> | <u>\$ 1,746,084</u> | <u>\$ 9,345,402</u> | <u>\$ 20,475,145</u> |

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

Pontotoc County, Mississippi
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2018

Exhibit 3-1

| | <u>Amount</u> |
|---|----------------------|
| Total fund balance - governmental funds (Exhibit 3) | \$ 8,014,974 |
| Amounts reported for governmental services in the statement of net position (Exhibit 1) are different because: | |
| Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 52,633,914. | 56,538,864 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | |
| Fine receivables, net | 210,846 |
| Accrued receivables that are not available to pay for current expenditures and therefore are not recorded in the funds. | |
| Ad valorem tax fee in-lieu receivable, net | 5,260,229 |
| T.V.A in-lieu receivable | 143,616 |
| Capital leases are not available to pay for current period expenditures and, therefore are deferred in the funds. | 2,156,805 |
| Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds. | (12,524,198) |
| Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. | (10,329,074) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not recorded in the funds. | (51,053) |
| Deferred outflows and inflows of resources related to refunding are applicable to future periods and, therefore, are not reported in the funds: | |
| Deferred outflows of resources related to refunding | 511,857 |
| Deferred inflows of resources related to refunding | (72,141) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds: | |
| Deferred outflows of resources related to pensions | 580,564 |
| Deferred inflows of resources related to pensions | (256,421) |
| Total net position - governmental activities (Exhibit 1) | \$ <u>50,184,868</u> |

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

Pontotoc County, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2018

Exhibit 4

| | Major Funds | | | Other | Total |
|---|--------------|------------------|----------------|----------------|----------------|
| | General | County Wide | Pride Mobility | Governmental | Governmental |
| | Fund | Road Maintenance | Fund | Funds | Funds |
| | Fund | Fund | Fund | Funds | Funds |
| REVENUES | | | | | |
| Property taxes | \$ 6,321,988 | \$ 1,770,329 | \$ - | \$ 1,665,148 | \$ 9,757,465 |
| Road and bridge privilege taxes | - | - | - | 397,712 | 397,712 |
| Licenses, commissions and other revenue | 475,525 | - | - | 26,006 | 501,531 |
| Fines and forfeitures | 344,831 | - | - | 305 | 345,136 |
| Intergovernmental revenues | 861,424 | 1,643,267 | - | 791,795 | 3,296,486 |
| Charges for services | 267,250 | - | - | 426,291 | 693,541 |
| In lieu tax - Toyota | 38,335 | - | - | 759,104 | 797,439 |
| Interest income | 12,889 | 3,138 | 52,208 | 56,510 | 124,745 |
| Miscellaneous revenues | 176,566 | - | - | 48,593 | 225,159 |
| Total Revenues | \$ 8,498,808 | \$ 3,416,734 | \$ 52,208 | \$ 4,171,464 | \$ 16,139,214 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | \$ 3,762,947 | \$ - | \$ - | \$ 704 | \$ 3,763,651 |
| Public safety | 3,510,516 | - | - | 1,173,422 | 4,683,938 |
| Public works | 6,615 | 1,571,318 | - | 4,488,464 | 6,066,397 |
| Health and welfare | 284,408 | - | - | - | 284,408 |
| Culture and recreation | 256,287 | - | - | 205,371 | 461,658 |
| Conservation of natural resources | 109,240 | - | - | - | 109,240 |
| Economic development and assistance | - | - | - | 122,646 | 122,646 |
| Debt service: | | | | | |
| Principal | 197,304 | 58,148 | 98,864 | 1,500,767 | 1,855,083 |
| Interest | 21,503 | 6,058 | 59,666 | 264,802 | 352,029 |
| Total Expenditures | \$ 8,148,820 | \$ 1,635,524 | \$ 158,530 | \$ 7,756,176 | \$ 17,699,050 |
| Excess of Revenues over (under) Expenditures | \$ 349,988 | \$ 1,781,210 | \$ (106,322) | \$ (3,584,712) | \$ (1,559,836) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-term capital debt issued | \$ 25,676 | \$ 288,002 | \$ - | \$ 1,594,850 | \$ 1,908,528 |
| Proceeds from sale of capital assets | 5,428 | - | - | 11,852 | 17,280 |
| Compensation for loss of capital assets | - | - | - | 4,825 | 4,825 |
| Transfers in | - | - | - | 3,002,038 | 3,002,038 |
| Transfers out | (27,012) | (2,125,000) | - | (850,026) | (3,002,038) |
| Lease principal payments | - | - | 106,349 | 255,277 | 361,626 |
| Total Other Financing Sources and Uses | \$ 4,092 | \$ (1,836,998) | \$ 106,349 | \$ 4,018,816 | \$ 2,292,259 |
| Net Changes in Fund Balances | \$ 354,080 | \$ (55,788) | \$ 27 | \$ 434,104 | \$ 732,423 |
| Fund Balances - Beginning | \$ 1,269,313 | \$ 490,434 | \$ 15,438 | \$ 5,507,366 | \$ 7,282,551 |
| Fund Balances - Ending | \$ 1,623,393 | \$ 434,646 | \$ 15,465 | \$ 5,941,470 | \$ 8,014,974 |

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

Pontotoc County, Mississippi
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018

Exhibit 4-1

| | |
|--|----------------|
| Net changes in fund balances - total governmental funds (Exhibit 4) | \$ 732,423 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,529,411 was exceeded by depreciation of \$3,250,762 in the current period. | (1,721,351) |
| In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$13,885, the transfer of capital asset to the enterprise fund of 2,460, and the proceeds for the sale and insurance proceeds of \$22,105. | (38,450) |
| Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because recognition is required on the Statement of Activities using the full-accrual basis of accounting. | (36,488) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: | |
| Ad Valorem tax fee-in-lieu | (510,834) |
| T.V.A. in lieu of tax | 5,259 |
| In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases. | (361,626) |
| Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$1,908,528 exceeded debt repayments of \$1,855,083. | (53,445) |
| Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by the following item: | |
| The amount of decrease in accrued interest | 3,408 |
| The amount of increase in compensated absences | (29,489) |
| Amortization of deferred outflow on bond refunding | (64,269) |
| Amortization of deferred inflow on bond refunding | 9,319 |
| Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include: | |
| Recording of pension expense for the current period | (1,383,626) |
| Recording of contributions made before the measurement date | 477,621 |
| Recording of contributions made subsequent to the measurement date | 163,557 |
| Change in net position of governmental activities (Exhibit 2) | \$ (2,807,991) |

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

Pontotoc County, Mississippi
Statement of Net Position - Proprietary Fund
September 30, 2018

Exhibit 5

| | |
|--|----------------------------|
| | Business - Type Activities |
| | <u>Enterprise Fund</u> |
| | <u>Solid Waste</u> |
| | <u>Fund</u> |
| ASSETS | |
| Current assets: | |
| Cash | \$ 783,760 |
| Intergovernmental receivables | 3,341 |
| Accounts receivable, (net of allowance for uncollectibles of \$1,036,289) | 155,428 |
| Other receivables | <u>102,798</u> |
| Total Current Assets | \$ <u>1,045,327</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Other capital assets, net | \$ <u>521,215</u> |
| Total Noncurrent Assets | \$ <u>521,215</u> |
| Total Assets | \$ <u>1,566,542</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | \$ <u>64,507</u> |
| Total Deferred Outflows of Resources | \$ <u>64,507</u> |
| LIABILITIES | |
| Current liabilities: | |
| Claims payable | \$ 51,760 |
| Unearned revenue | 109,150 |
| Current portions of long-term capital-related debt: | |
| Capital leases payable | <u>96,315</u> |
| Total Current Liabilities | \$ <u>257,225</u> |
| Noncurrent liabilities: | |
| Net Pension Liability | \$ 1,147,672 |
| Capital related debt: | |
| Capital leases payable | 104,669 |
| Non-capital related debt: | |
| Compensated absences payable | <u>22,416</u> |
| Total Noncurrent Liabilities | <u>1,274,757</u> |
| Total Liabilities | \$ <u>1,531,982</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | \$ <u>28,492</u> |
| Total Deferred Inflows of Resources | \$ <u>28,492</u> |
| NET POSITION | |
| Net investment in capital assets | \$ 320,231 |
| Unrestricted | <u>(249,656)</u> |
| Total Net Position | \$ <u><u>70,575</u></u> |

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

Pontotoc County, Mississippi
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2018

Exhibit 6

| | Business-type Activities Enterprise Fund |
|---------------------------------------|---|
| | Solid Waste Fund |
| Operating Revenues | |
| Charges for services | \$ 1,398,714 |
| Total Operating Revenues | \$ 1,398,714 |
| Operating Expenses | |
| Personal services | \$ 640,626 |
| Contractual services | 293,037 |
| Materials and supplies | 174,977 |
| Depreciation expense | 134,539 |
| Indirect administrative cost | 26,000 |
| Pension expense | 153,736 |
| Total Operating Expenses | \$ 1,422,915 |
| Operating Income (Loss) | \$ (24,201) |
| Nonoperating Revenues (Expenses) | |
| Interest income | \$ 3,255 |
| Gain (loss) on sale of capital assets | (5,590) |
| Interest expense | (4,606) |
| Other income (expense) | 4,685 |
| Net Nonoperating Revenue (Expenses) | \$ (2,256) |
| Changes in Net Position | \$ (26,457) |
| Net Position - Beginning | \$ 97,032 |
| Net Position - Ending | \$ 70,575 |

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

Pontotoc County, Mississippi
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2018

Exhibit 7

| | Business-type Activities Enterprise Funds |
|--|--|
| | <u>Solid Waste Fund</u> |
| Cash Flows From Operating Activities | |
| Receipts from customers | \$ 1,408,573 |
| Payments to suppliers | (469,823) |
| Payments to/for employees | (726,131) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 212,619</u> |
| Cash Flows From Noncapital Financing Activities | |
| Interfund loan repayment from other funds | \$ 19,736 |
| Other receipts | 2,224 |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>\$ 21,960</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Proceeds of long-term debt | \$ 133,240 |
| Proceeds from sale of assets | 2,413 |
| Acquisition of capital assets | (358,924) |
| Principal paid on long-term debt | (80,970) |
| Interest expense | (4,606) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>\$ (308,847)</u> |
| Cash Flows From Investing Activities | |
| Interest and dividends on investments | \$ 3,255 |
| Net Cash Provided (Used) by Investing Activities | <u>\$ 3,255</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ (71,013) |
| Cash and Cash Equivalents at Beginning of Year | <u>854,773</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 783,760</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating income (loss) | \$ (24,201) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | \$ 134,539 |
| Provision for uncollectible accounts | 13,345 |
| Changes in assets and liabilities: | |
| (Increase) decrease in intergovernmental receivable | 10,848 |
| (Increase) decrease in accounts receivable | (14,246) |
| (Increase) decrease in other receivables | (3,211) |
| (Increase) decrease in deferred outflows - pensions | 18,261 |
| Increase (decrease) in claims payable | (1,809) |
| Increase (decrease) in compensated absences liability | 11,736 |
| Increase (decrease) in unearned revenue | 3,123 |
| Increase (decrease) in net pension liability | 50,530 |
| Increase (decrease) in deferred inflows - pensions | 13,704 |
| Total Adjustments | <u>\$ 236,820</u> |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ 212,619</u></u> |

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

Pontotoc County, Mississippi
Statement of Fiduciary Assets and Liabilities
September 30, 2018

Exhibit 8

| | <u>Agency Funds</u> |
|-------------------------------|-------------------------|
| ASSETS | |
| Cash | \$ 932,725 |
| Intergovernmental receivables | <u>4,093</u> |
| Total Assets | <u>\$ 936,818</u> |
| LIABILITIES | |
| Intergovernmental payables | \$ <u>936,818</u> |
| Total Liabilities | <u>\$ 936,818</u> |

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Hurricane Volunteer Fire Department

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies – Continued.

B. Basis of Presentation – Continued.

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies – Continued.

C. Measurement Focus and Basis of Accounting – Continued.

The county reports the following major Governmental Funds:

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

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

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

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies – Continued.

C. Measurement Focus and Basis of Accounting – Continued.

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Use of Estimates.

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

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies – Continued.

H. Interfund Transactions and Balances - continued.

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

I. Capital Assets

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

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

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

| | Capitalization Thresholds | Estimated Useful Life |
|--------------------------------------|------------------------------|--------------------------|
| Land | \$ - | N/A |
| Infrastructure | \$ - | 20-50 years |
| Buildings | \$ 50,000 | 40 years |
| Improvements other than buildings | \$ 25,000 | 20 years |
| Mobile equipment | \$ 5,000 | 5-10 years |
| Furniture and equipment | \$ 5,000 | 3-7 years |
| Leased property under capital leases | * | * |

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies – Continued.

J. Deferred Outflow/Inflows of Resources

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

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

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

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

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

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

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

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

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

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies – Continued.

K. Pensions.

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

L. Long-term liabilities.

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

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

M. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies – Continued.

M. Equity Classifications - continued

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

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

N. Property Tax Revenues.

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

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

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies – Continued.

O. Intergovernmental Revenues in Governmental Funds.

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

P. Compensated Absences.

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

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2018, was \$11,157,750, and the bank balance was \$11,409,393. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2018:

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|----------------------------------|----------------------------|------------------|
| General Fund | 1 Other Governmental Funds | \$ 1,326 |
| County Wide Rd. Maintenance Fund | 2 General Fund | 31,779 |
| Other Governmental Funds | 2 General Fund | 57,742 |
| Total | | <u>\$ 90,847</u> |

1. These receivables represent money due for expenditures paid for another fund.
2. These receivables represent the tax revenue collected but not settled until October 2018

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

B. Advances From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|----------------------------|------------------|
| Other Governmental Funds | 1 Other Governmental Funds | \$ 39,063 |
| Total | | <u>\$ 39,063</u> |

1. This advance represents long-term advance from one road fund to another for equipment.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(3) Interfund Transactions and Balances – Continued

C. Transfers In/Out:

| Transfer In | Transfer Out | Amount |
|--------------------------|------------------------------|---------------------|
| Other Governmental Funds | General Fund | \$ 27,012 |
| Other Governmental Funds | County Wide District Rd Fund | 2,125,000 |
| Other Governmental Funds | Other Governmental Funds | 850,026 |
| Total | | <u>\$ 3,002,038</u> |

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

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2018 consisted of the following:

Governmental Activities:

| Description | Amount |
|--|-------------------|
| Legislative Tax Credit | \$ 148,577 |
| T.V.A. In Lieu of Tax | 143,617 |
| Mississippi Department of Corrections | 40,440 |
| Mississippi Emergency Management | 26,373 |
| City of Pontotoc | 58,033 |
| Motor Vehicle Fuel Tax | 46,957 |
| Motor Vehicle License Tax | 35,900 |
| Mississippi Department of Human Services | 10,689 |
| Mississippi State Aid Road | 20,839 |
| Mississippi Department of Transportation | 13,061 |
| Federal Aviation Administration | 59,946 |
| Tombigbee River Valley Water Management | 45,812 |
| Other | 54,941 |
| Total Governmental Activities | <u>\$ 705,185</u> |

Business-type Activities:

| | |
|--------------------------------|-----------------|
| Garbage Collection Fees | \$ 3,341 |
| Total Business-type Activities | <u>\$ 3,341</u> |

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(5) Ad Valorem Tax Fee-In-Lieu Receivable

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

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2018, is as follows:

| | |
|---------------------------------------|---------------------|
| Ad Valorem Tax Fee-In-Lieu Receivable | \$ <u>5,260,229</u> |
| September 30, | |
| 2019 | \$ 833,333 |
| 2020 | 833,333 |
| 2021 | 833,333 |
| 2022 | 833,333 |
| 2023 | 833,333 |
| Due in six to eight years | <u>2,500,002</u> |
| Total | \$ 6,666,667 |
| Less: Discount to present value | <u>1,406,438</u> |
| Net receivable | \$ <u>5,260,229</u> |

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2018:

Governmental activities:

| | Balance Oct. 1, 2017 | Additions | Deletions | Adjustments* | Balance Sept. 30, 2018 |
|---|-------------------------|-----------------------|-------------------|---------------------|---------------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 3,432,464 | \$ - | \$ 5,500 | \$ - | \$ 3,426,964 |
| Construction in progress | <u>287,038</u> | <u>677,190</u> | <u>-</u> | <u>1 (236,768)</u> | <u>727,460</u> |
| Total non-depreciable capital assets | \$ <u>3,719,502</u> | \$ <u>677,190</u> | \$ <u>5,500</u> | \$ <u>(236,768)</u> | \$ <u>4,154,424</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Infrastructure | \$ 74,051,718 | \$ - | \$ - | \$ 1 236,768 | \$ 74,288,486 |
| Buildings | 16,099,109 | - | - | - | 16,099,109 |
| Improvements other than buildings | 2,741,481 | - | - | - | 2,741,481 |
| Mobile equipment | 9,611,109 | 35,968 | 105,653 | 2 (24,600) | 9,516,824 |
| Furniture and equipment | 1,224,518 | 316,418 | 199,234 | - | 1,341,702 |
| Leased property under capital leases | <u>530,917</u> | <u>499,835</u> | <u>-</u> | <u>-</u> | <u>1,030,752</u> |
| Total depreciable capital assets | \$ <u>104,258,852</u> | \$ <u>852,221</u> | \$ <u>304,887</u> | \$ <u>212,168</u> | \$ <u>105,018,354</u> |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Infrastructure | \$ 33,210,598 | \$ 2,432,523 | \$ - | \$ - | \$ 35,643,121 |
| Buildings | 5,907,047 | 271,503 | - | - | 6,178,550 |
| Improvements other than buildings | 1,349,665 | 110,487 | - | - | 1,460,152 |
| Mobile equipment | 7,964,161 | 184,718 | 95,087 | 2 (22,140) | 8,031,652 |
| Furniture and equipment | 1,076,656 | 65,996 | 179,310 | - | 963,342 |
| Leased property under capital leases | <u>171,562</u> | <u>185,535</u> | <u>-</u> | <u>-</u> | <u>357,097</u> |
| Total accumulated depreciation | \$ <u>49,679,689</u> | \$ <u>3,250,762</u> | \$ <u>274,397</u> | \$ <u>(22,140)</u> | \$ <u>52,633,914</u> |
| Total depreciable capital assets, net | \$ <u>54,579,163</u> | \$ <u>(2,398,541)</u> | \$ <u>30,490</u> | \$ <u>234,308</u> | \$ <u>52,384,440</u> |
| Governmental activities capital assets, net | \$ <u>58,298,665</u> | \$ <u>(1,721,351)</u> | \$ <u>35,990</u> | \$ <u>(2,460)</u> | \$ <u>56,538,864</u> |

Adjustments:

- 1 – To reclassify completed construction.
- 2 - To reclassify truck transferred to Business-type activities.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(6) Capital Assets – Continued.

Business-type activities:

| | Balance Oct. 1, 2017 | Additions | Deletions | Adjustments* | Balance Sept. 30, 2018 |
|--|-------------------------|-------------------|------------------|------------------|---------------------------|
| <u>Depreciable capital assets:</u> | | | | | |
| Mobile equipment | \$ 899,983 | \$ 225,684 | \$ 80,474 | \$ 24,600 | \$ 1,069,793 |
| Leased property under capital leases | <u>259,062</u> | <u>133,240</u> | <u>-</u> | <u>-</u> | <u>392,302</u> |
| Total depreciable capital assets | <u>\$ 1,159,045</u> | <u>\$ 358,924</u> | <u>\$ 80,474</u> | <u>\$ 24,600</u> | <u>\$ 1,462,095</u> |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Mobile equipment | \$ 740,079 | \$ 63,925 | \$ 72,472 | \$ 22,140 | \$ 753,672 |
| Leased property under capital leases | <u>116,594</u> | <u>70,614</u> | <u>-</u> | <u>-</u> | <u>187,208</u> |
| Total accumulated depreciation | <u>\$ 856,673</u> | <u>\$ 134,539</u> | <u>\$ 72,472</u> | <u>\$ 22,140</u> | <u>\$ 940,880</u> |
| Total depreciable capital assets, net | <u>\$ 302,372</u> | <u>\$ 224,385</u> | <u>\$ 8,002</u> | <u>\$ 2,460</u> | <u>\$ 521,215</u> |
| Business-type activities capital assets, net | <u>\$ 302,372</u> | <u>\$ 224,385</u> | <u>\$ 8,002</u> | <u>\$ 2,460</u> | <u>\$ 521,215</u> |

*Adjustments is for reclassifications of truck transferred from Governmental activities.

Depreciation expense was charged to the following functions:

| | Amount |
|---|---------------------|
| Governmental Activities: | |
| General government | \$ 255,202 |
| Public safety | 148,523 |
| Public works | 2,769,749 |
| Health and Welfare | 10,560 |
| Culture and Recreation | 66,728 |
| Total governmental activities depreciation expense | <u>\$ 3,250,762</u> |
| Business-type activities: | |
| Solid waste | \$ 134,539 |
| Total business-type activities depreciation expense | <u>\$ 134,539</u> |

Commitments with respect to unfinished capital projects at September 30, 2018, consisted of the following:

| Description of Commitment | Remaining Financial Commitment | Expected Date of Completion |
|---------------------------------|--------------------------------------|--------------------------------|
| Eight Bay T Hanger at Airport | \$ 50,493 | 01/2019 |
| Chicasa Road Bridge Replacement | \$ 221,772 | 08/2019 |

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(7) Commitment.

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

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2018, to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2018:

KC Integrated Services, LLC

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

Pride Mobility Product Corporation

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(9) Capital Leases – Continued

| <u>Classes of Property</u> | <u>Amount</u> |
|----------------------------|---------------------|
| Building | \$ 2,951,168 |
| Total | \$ <u>2,951,168</u> |

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2018, are as follows:

| <u>Year Ending September 30</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|---------------------|-------------------|
| 2019 | \$ 179,696 | \$ 74,653 |
| 2020 | 185,922 | 68,427 |
| 2021 | 192,655 | 61,694 |
| 2022 | 199,540 | 54,808 |
| 2023 | 206,709 | 47,639 |
| 2024-2028 | 1,048,684 | 119,257 |
| 2029 | <u>143,599</u> | <u>1,720</u> |
| Total | \$ <u>2,156,805</u> | \$ <u>428,198</u> |

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(9) Capital Leases - Continued.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2018:

| <u>Classes of Property</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--------------------------------------|------------------------------------|-------------------------------------|
| Mobile equipment | \$ 1,030,752 | 392,302 |
| Equipment – below capital threshold | 213,920 | - |
| Total | \$ 1,244,672 | 392,302 |
| Less: Accumulated depreciation | 357,097 | 187,208 |
| Leased Property Under Capital Leases | \$ 887,575 | 205,094 |

The following is a schedule by years of the total payments due as of September 30, 2018:

| <u>Year Ending September 30</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|---------------------------------|--------------------------------|-----------------|---------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2019 | \$ 301,925 | \$ 17,730 | \$ 96,315 | \$ 4,024 |
| 2020 | 256,010 | 10,601 | 52,989 | 2,040 |
| 2021 | 169,326 | 4,496 | 34,222 | 969 |
| 2022 | 84,565 | 857 | 17,458 | 137 |
| Total | \$ 811,826 | \$ 33,684 | 200,984 | \$ 7,170 |

(10) Other Postemployment Benefits.

Plan Description

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(11) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. Pontotoc County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contributions rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

Contributions. At September 30, 2018, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ended September 30, 2018, 2017, and 2016 were \$712,418, \$670,359 and \$668,501 respectively, equal to the required contributions for each year.

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

At September 30, 2018 the County reported a liability of \$11,476,746 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2018 net pension liability was 0.069 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.003 percent from its proportion share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(11) Defined Benefit Pension Plan – Continued.

For the year ended September 30, 2017, the County recognized pension expense of \$1,537,362. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 48,602 | \$ 46,277 |
| Net difference between projected and actual earnings on pension plan investments | - | 231,719 |
| Changes of assumptions | 6,477 | 6,063 |
| Changes in the County's proportion and differences between the County's contributions and proportionate share of contributions | 408,263 | 854 |
| County contributions subsequent to the measurement date | 181,729 | - |
| Total | \$ 645,071 | \$ 284,913 |

\$181,729 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

| | |
|-------|------------|
| 2019 | \$ 287,637 |
| 2020 | 88,678 |
| 2021 | (146,272) |
| 2022 | (51,614) |
| Total | \$ 178,429 |

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

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

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(11) Defined Benefit Pension Plan – Continued.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| | 1% Decrease (6.75%) | Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|---------------------------|-----------------------------|---------------------------|
| County's proportionate share of the net pension liability | \$ 15,111,587 | \$ 11,476,746 | \$ 8,455,721 |

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(12) Long-term Debt.

Debt outstanding as of September 30, 2018, consisted of the following:

| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|---|-----------------------|------------------|---------------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| Pontotoc County G.O. Road and Bridge Bonds, Series 2015 | \$ 62,521 | 1.90 | 07/2020 |
| Pontotoc County G.O. Refunding Bonds 2015 | 5,200,000 | 3.00-3.50 | 06/2026 |
| Pontotoc County G.O. Refunding Bonds 2016 | 2,060,000 | 2.00-2.50 | 09/2025 |
| Pontotoc County G.O. Road and Bridge Bonds, Series 2018 | 375,000 | 2.50 | 06/2028 |
| Pontotoc County G.O. Road and Bridge Bonds, Series 2018 | 600,000 | 2.50 | 06/2028 |
| Total General Obligation Bonds | <u>\$ 8,297,521</u> | | |
| B. Capital Leases: | | | |
| 8 Ford F-150's | 38,950 | 1.74 | 07/2019 |
| Dodge Truck | 5,755 | 2.40 | 03/2019 |
| Tractor | 7,897 | 2.40 | 08/2019 |
| Volunteer Fire Equipment | 107,007 | 2.60 | 03/2021 |
| 5 Sheriff Trucks | 97,304 | 2.49 | 09/2020 |
| Tar Truck | 96,679 | 2.80 | 03/2021 |
| Tractor | 41,414 | 2.89 | 01/2022 |
| Chip Spreader | 265,445 | 2.69 | 05/2022 |
| Pot Hole Pacher | 126,186 | 2.69 | 05/2022 |
| Van | 25,189 | 2.69 | 08/2022 |
| Total Capital Leases | <u>\$ 811,826</u> | | |
| C. Other Loans: | | | |
| Building Loan (Child Services Building) | \$ 352,000 | 0.00 | 09/2025 |
| Certificates of Participation (Extension Building) | 103,000 | 3.99 | 11/2018 |
| Equipment Loan – E-911 | 433,693 | 2.25 | 09/2023 |
| TVA Loan* | 437,538 | 3.00 | 06/2030 |
| Building Loan (Fair Extension Building) | 84,724 | 3.50 | 11/2026 |
| CAPS Loan | 486,972 | 3.00 | 01/2027 |
| Economic Development Loan (Pride Mobility) | 1,182,033 | 4.05-4.75 | 10/2029 |
| Economic Development Loan (Pride Mobility) | 240,076 | 3.00 | 02/2030 |
| Total Other Loans | <u>\$ 3,320,036</u> | | |
| Business-type Activities: | | | |
| A. Capital Leases: | | | |
| Garbage Truck | \$ 30,780 | 2.35 | 08/2019 |
| Garbage Truck | 52,784 | 2.40 | 04/2020 |
| Garbage Truck | 117,420 | 2.69 | 03/2022 |
| Total Capital Leases | <u>\$ 200,984</u> | | |

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(12) Long-term Debt – Continued.

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

Governmental Activities:

| Year Ending September 30 | General Obligation Bonds | | Other Loans | |
|-----------------------------|--------------------------|------------|--------------|------------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 1,051,966 | \$ 225,488 | \$ 428,827 | \$ 96,250 |
| 2020 | 1,081,555 | 197,375 | 334,765 | 85,256 |
| 2021 | 1,084,000 | 168,450 | 344,358 | 75,665 |
| 2022 | 1,115,000 | 139,225 | 354,110 | 65,909 |
| 2023 | 1,156,000 | 109,175 | 364,585 | 55,820 |
| 2024 – 2028 | 2,809,000 | 143,100 | 1,267,548 | 145,396 |
| 2029 – 2030 | - | - | 225,843 | 5,250 |
| Total | \$ 8,297,521 | \$ 982,813 | \$ 3,320,036 | \$ 529,546 |

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2018, the amount of outstanding debt was equal to 1.87% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2018, \$5,270,000 of bonds outstanding were considered defeased.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(12) Long-term Debt – Continued.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

| | Balance Oct. 1, 2017 | Additions | Reductions | Balance Sept. 30, 2018 | Amount due within one year |
|----------------------------------|-------------------------|---------------------|---------------------|---------------------------|----------------------------------|
| Governmental Activities: | | | | | |
| Compensated absences | \$ 65,326 | \$ 29,489 | - \$ | \$ 94,815 | - |
| General obligation bonds | 8,272,910 | 975,000 | 950,389 | 8,297,521 | 1,051,966 |
| Capital leases | 543,986 | 499,835 | 231,995 | 811,826 | 301,925 |
| Other loans | 3,559,042 | 433,693 | 672,699 | 3,320,036 | 428,827 |
| Total | \$ 12,441,264 | \$ 1,938,017 | \$ 1,855,083 | \$ 12,524,198 | \$ 1,782,718 |
| Business-type Activities: | | | | | |
| Compensated absences | \$ 10,680 | \$ 11,736 | - \$ | \$ 22,416 | - |
| Capital leases | 148,714 | 133,240 | 80,970 | 200,984 | 96,315 |
| Total | \$ 159,394 | \$ 144,976 | \$ 80,970 | \$ 223,400 | \$ 96,315 |

(13) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the County's financial statements.

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

- (13) Contingencies - continued.

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by Three Rivers Solid Waste Management Authority for \$8,210,000. In fiscal year 2012, the bonds were refinanced. The bonds were reissued for \$4,235,000. As part of a solid waste disposal service agreement between Pontotoc County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share of the \$1,865,000 refunding bonds balance at September 30, 2018 was \$315,185.

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

The governmental activities' unrestricted net position amount of \$(7,621,290) includes the effect of deferred inflows/outflows of resources related to pension. A portion of the deferred outflow of resources related to pension in the amount of \$163,556 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$417,008 balance of deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$256,421 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next four years.

The governmental activities' unrestricted net position amount of \$(7,621,290) includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. The \$495,613 balance of deferred outflows of resources related to the advance refunding at September 30, 2018, will be recognized as an expense and will decrease unrestricted net position over the next eight years. The \$55,243 balance of the deferred inflow of resources related to an advance refunding at September 30, 2018, will be recognized as a reduction in interest expense and increase unrestricted net position over the next eight years.

The governmental activities' unrestricted net position amount of \$(7,621,290) includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$428,198 balance of deferred inflows of resources at September 30, 2018, will be recognized as revenue and will increase the unrestricted net position over the next eleven years.

The governmental activities' net investment in capital assets amount of \$51,217,906 includes the effect of deferring the recognition of expenditures resulting from a refunding of County debt. The \$16,244 balance of deferred outflows of resources related to the refunding at September 30, 2018, will be recognized as an expense and will decrease net investment in capital assets over the next seven years. The \$16,898 balance of the deferred inflow of resources related to a refunding at September 30, 2018, will be recognized as a reduction in interest expense and increase net investment in capital assets over the next seven years.

The business-type activities' unrestricted net position amount of \$(249,656) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$18,173 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$46,334 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$28,492 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next four years.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

(15) Joint Venture.

The county participates in the following joint ventures:

Pontotoc County is a participant with Calhoun County and Chickasaw County in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Dixie Regional Library System. The regional library was created to provide free public library service for the respective counties. The regional library is governed by a five-member board appointed by the Boards of Supervisors: two from the library board of Pontotoc County, one from the library board of Chickasaw County, and two from the library board of Calhoun County. The county appropriated \$ 195,000 to the library in fiscal year 2018. Complete financial statements for the regional library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, Mississippi 38863.

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

Pontotoc County is a participant in a joint venture with the counties of Union and Chickasaw and the municipalities of New Albany, Pontotoc, Houston, New Houlka, Ecu and Algoma, as the GM&O Rails to Trails Recreational District of North Mississippi (GM&O), as authorized by Section 55-25-1, Miss. Code Ann. (1972) which governs the Tanglefoot Trail, which is a multi-use recreational trail for hikers, equestrians, walkers, runners, skaters, cyclists, and other such uses. Pontotoc County appoints one member of the nine-member Board of GM&O and agreed to pledge on an annual basis, for a period of 15 years, an amount equal to $\frac{1}{4}$ of a mill from their General fund, or from any other available source as determined by the County, to GM&O for the purpose of servicing debt. Any funds over the amount needed for debt will be retained by GM&O for operating and maintenance expenses. Three Rivers Planning and Development District is the administrator and fiscal agent of the program. The County contributed \$30,000 to this venture in fiscal year 2018.

(16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Three Rivers Planning and Development District operates in a district composed of the Counties of Pontotoc, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Calhoun and Union. The Pontotoc County Board of Supervisors appoints five of the 40 members of the board of directors. The county contributed \$40,000 for support of the district in fiscal year 2018.

Northeast Mental Health–Mental Retardation Commission operates in a district composed of the Counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Pontotoc County Board of Supervisors appoints one of the seven members of the board of commissioners. The county contributed \$29,400 for support of the commission in fiscal year 2018.

Itawamba Community College operates in a district composed of the Counties of Itawamba, Lee, Chickasaw, Pontotoc and Monroe. The Pontotoc County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county provided approximately \$1,128,462 by tax levy as an appropriation for maintenance and support of the college in fiscal year 2018.

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Pontotoc, Itawamba, Lafayette, Lee, Monroe, Calhoun and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. Each of these entities appoints one of the 14 board members. The entity is fiscally independent of all other entities as it can set its own budget, issue debt and set rates and charges. Members are billed based on the volume of solid waste received from each member. The county did not appropriate any funds for the support of the authority in fiscal year 2018.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(16) Jointly Governed Organizations - continued.

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Pontotoc County Board of Supervisors appoints four of the 36 members of the board of directors. The county contributed \$40,382 for support of the district in fiscal year 2018.

Lift, Inc. operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Pontotoc County Board of Supervisors appoints one of the 24 members of the board of directors. The county contributed \$ 5,500 for support of Lift, Inc. in fiscal year 2018.

Pontotoc Union Lee Alliance (PUL) is an alliance to promote economic development in these three counties. The Pontotoc County Board of Supervisors appoints two of the nine members of the board of directors. The county did not appropriate any funds for support of the alliance during fiscal year 2018.

(17) Tax Abatements.

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

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

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

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

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

| Type of Tax | Description | Amount of Taxes Abated during Fiscal Year |
|------------------------------|--|---|
| Personal Property Ad Valorem | Equipment, Raw Materials, Inventory and Work in Process | \$ 758,391 |
| Real Property Ad Valorem | New Construction and Additions | \$ 156,901 |

There are 18 companies that have tax abatements under these statutes. The companies were not required to comply with any special provisions in order to receive the abatements and the County made no commitments as part of the agreement other than to reduce tax.

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

(18) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Pontotoc County evaluated the activity of the County through September 4, 2019, (the date the financial statements were available to be issued,) and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2018, the county issued the following debt obligations:

| <u>Issue Date</u> | <u>Interest Rate</u> | <u>Issue Amount</u> | <u>Type of Financing</u> | <u>Source of Financing</u> |
|-----------------------|--------------------------|-------------------------|------------------------------|--------------------------------|
| 6/12/2019 | 3.75% | 49,950 | Capital Lease | Ad valorem taxes |

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REQUIRED SUPPLEMENTARY INFORMATION

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Pontotoc County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2018
UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|----------------------|---------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 6,692,700 | \$ 6,339,567 | \$ 6,339,567 | \$ - |
| Licenses, commissions and other revenue | 394,000 | 481,117 | 481,117 | - |
| Fines and forfeitures | 415,000 | 350,819 | 350,819 | - |
| Intergovernmental revenues | 1,298,000 | 875,298 | 875,298 | - |
| Charges for services | 225,000 | 263,590 | 263,590 | - |
| In lieu tax - Toyota | - | 52,202 | 52,202 | - |
| Interest income | 15,300 | 12,914 | 12,914 | - |
| Miscellaneous revenues | 362,500 | 271,198 | 271,198 | - |
| Total Revenues | <u>\$ 9,402,500</u> | <u>\$ 8,646,705</u> | <u>\$ 8,646,705</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | \$ 4,910,763 | \$ 3,880,690 | \$ 3,880,690 | \$ - |
| Public safety | 3,380,160 | 3,483,717 | 3,483,717 | - |
| Public works | 10,000 | 7,034 | 7,034 | - |
| Health and welfare | 299,305 | 283,655 | 283,655 | - |
| Culture and recreation | 230,600 | 256,571 | 256,571 | - |
| Conservation of natural resources | 114,972 | 109,075 | 109,075 | - |
| Economic development and assistance | 800,000 | - | - | - |
| Debt service: | | | | |
| Principal | 270,645 | 198,356 | 198,356 | - |
| Interest | 34,055 | 21,777 | 21,777 | - |
| Total Expenditures | <u>\$ 10,050,500</u> | <u>\$ 8,240,875</u> | <u>\$ 8,240,875</u> | <u>\$ -</u> |
| Excess of Revenues over (under) Expenditures | <u>\$ (648,000)</u> | <u>\$ 405,830</u> | <u>\$ 405,830</u> | <u>\$ -</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | \$ - | \$ 5,428 | \$ 5,428 | \$ - |
| Insurance proceeds | 2,000 | 7,469 | 7,469 | - |
| Transfers in | 41,000 | 52,369 | 52,369 | - |
| Transfers out | (300,000) | (86,799) | (86,799) | - |
| Total Other Financing Sources and Uses | <u>\$ (257,000)</u> | <u>\$ (21,533)</u> | <u>\$ (21,533)</u> | <u>\$ -</u> |
| Net Change in Fund Balance | \$ (905,000) | \$ 384,297 | \$ 384,297 | \$ - |
| Fund Balances - Beginning | 800,000 | 1,082,549 | 1,273,418 | 190,869 |
| Fund Balances - Ending | <u>\$ (105,000)</u> | <u>\$ 1,466,846</u> | <u>\$ 1,657,715</u> | <u>\$ 190,869</u> |

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

Pontotoc County, Mississippi
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
County Wide Road Maintenance Fund
For the Year Ended September 30, 2018
UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-----------------------|-----------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 1,752,500 | \$ 1,774,713 | \$ 1,774,713 | \$ - |
| Intergovernmental revenues | 720,000 | 599,684 | 599,684 | - |
| Interest income | 3,000 | 3,138 | 3,138 | - |
| Miscellaneous revenues | 175,000 | 132,359 | 132,359 | - |
| Total Revenues | <u>\$ 2,650,500</u> | <u>\$ 2,509,894</u> | <u>\$ 2,509,894</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | \$ 1,500 | \$ 358,725 | \$ 358,725 | \$ - |
| Debt service: | | | | |
| Principal | 3,000 | 58,148 | 58,148 | - |
| Interest | 36,000 | 6,059 | 6,059 | - |
| Total Expenditures | <u>\$ 40,500</u> | <u>\$ 422,932</u> | <u>\$ 422,932</u> | <u>\$ -</u> |
| Excess of Revenues | | | | |
| | <u>\$ 2,610,000</u> | <u>\$ 2,086,962</u> | <u>\$ 2,086,962</u> | <u>\$ -</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ (2,225,000) | \$ (2,125,000) | \$ (2,125,000) | \$ - |
| Total Other Financing Sources and Uses | <u>\$ (2,225,000)</u> | <u>\$ (2,125,000)</u> | <u>\$ (2,125,000)</u> | <u>\$ -</u> |
| Net Change in Fund Balance | \$ 385,000 | \$ (38,038) | \$ (38,038) | \$ - |
| Fund Balances - Beginning | 200,000 | 446,199 | 427,769 | (18,430) |
| Fund Balances - Ending | <u>\$ 585,000</u> | <u>\$ 408,161</u> | <u>\$ 389,731</u> | <u>\$ (18,430)</u> |

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

Pontotoc County, Mississippi
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2018

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|-------------|-------------|-------------|-------------|
| County's proportion of the net pension liability (asset) | 0.069% | 0.066% | 0.066% | 0.064% | 0.066% |
| County's proportionate share of the net pension liability (asset) | \$ 11,476,746 | 10,971,438 | 11,789,245 | 9,893,138 | 8,011,192 |
| County's covered payroll | \$ 4,523,075 | 4,256,235 | 4,220,194 | 4,053,685 | 4,018,172 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 253.74% | 257.77% | 279.35% | 244.05% | 199.37% |
| Plan fiduciary net position as a percentage of the total pension liability | 62.54% | 61.49% | 57.47% | 61.70% | 67.21% |

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

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

Pontotoc County, Mississippi
Schedule of County's Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2018

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 712,418 | 670,359 | 668,501 | 638,456 | 632,865 |
| Contributions in relation to the contractually required contribution | <u>712,418</u> | <u>670,359</u> | <u>668,501</u> | <u>638,456</u> | <u>632,865</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| County's covered payroll | \$ 4,523,075 | 4,256,235 | 4,244,122 | 4,053,685 | 4,018,172 |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% |

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

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

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018
UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

| | Governmental Fund Types | |
|--|-------------------------|------------------------------------|
| | General Fund | County Wide Rd Maintenance Fund |
| Net Change in Fund Balance- Budget (Cash Basis) | \$ 384,297 | \$ (38,038) |
| Increase (Decrease) | | |
| Net adjustments for revenue accruals | (82,290) | (4,611) |
| Net adjustments for expenditure accruals | 52,073 | (13,139) |
| Net Change in Fund Balance- GAAP Basis | \$ 354,080 | \$ (55,788) |

PONTOTOC COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018
UNAUDITED

Pension Schedules

A. Changes of assumptions

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

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

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

2016

The assumed rate of interest credited to employee contributions was changed from 3.5% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

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

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

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

B. Change in benefit provisions

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

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

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, open |
| Remaining amortization period | 33.9 years |
| Asset valuation method | 5-year smoothed market |
| Price Inflation | 3.00 percent |
| Salary increase | 3.75 percent to 19.00 percent, including inflation |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

SUPPLEMENTAL INFORMATION

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PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2018

| Federal Grantor/ Pass-through Grantor/ Program Title | Federal CFDA Number | Agency or Pass-through Number | Federal Expenditure |
|--|---------------------------|-------------------------------------|------------------------|
| U.S. Department of Agriculture | | | |
| Passed-through Mississippi Office of the State Treasurer | | | |
| Forest Service Schools and Roads Cluster | | | |
| Schools and Roads – Grants to States | 10.665 | N/A | \$ 1,749 |
| Total Forest Services Schools and Roads Cluster | | | \$ 1,749 |
| U.S. Department of Justice | | | |
| Passed-through Mississippi Department of Public Safety | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 16LB1581 | \$ 3,645 |
| Total U.S. Department of Justice | | | \$ 3,645 |
| U.S. Department of Transportation: | | | |
| Federal Aviation Administration | | | |
| Airport Improvement Program | 20.106* | N/A | \$ 385,932 |
| Total Federal Aviation Administration | | | \$ 385,932 |
| Federal Highway Administration | | | |
| Passed-through Mississippi Office of State Aid Road Construction | | | |
| Highway Planning and Construction Cluster | | | |
| Highway Planning and Construction | 20.205 | BR NBIS 89 B | \$ 9,230 |
| Highway Planning and Construction | 20.205 | BR NBIS 92 B | 3,510 |
| Total Highway Planning and Construction Cluster | | | \$ 12,740 |
| Total U.S. Department of Transportation | | | \$ 398,672 |
| U. S. Department of Homeland Security: | | | |
| Passed-through Mississippi Emergency Management | | | |
| Hazard Mitigation Grant | 97.039 | FEMA-1604-503-DRMS | \$ 252,210 |
| Hazard Mitigation Grant | 97.039 | FEMA-1604-504-DRMS | 88,037 |
| Total Hazard Mitigation Grant | | | \$ 340,247 |
| Emergency Management Performance Grants | 97.042 | EMPG FY 2017 | \$ 26,373 |
| Total U.S. Department of Homeland Security | | | \$ 366,620 |
| Total Expenditures of Federal Awards | | | \$ 770,686 |

PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2018

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Pontotoc County, MS (County) under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the activities or operations of the County, it is not intended to and does not present the financial positions, the changes in financial positions and cash flows of the County.

Note B - Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the applicable cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made, in the normal course of business to amounts reported as expenditures in prior years.

Note C - Indirect Cost Rate

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

Note D – Hazard Mitigation Grant

Total expenditures of federal awards include \$340,247 passed-through an agency fund to the Pontotoc County School District during the year September 30, 2018.

*Denotes major federal award program.

OTHER INFORMATION

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Pontotoc County, Mississippi
Schedule of Surety Bonds For County Officials
For the Year Ended September 30, 2018
"UNAUDITED"

| NAME | POSITION | COMPANY | BOND |
|-------------------------|----------------------------|----------------------|---------|
| WAYNE STOKES | SUPERVISOR DISTRICT 1 | RIDGECREST INSURANCE | 100,000 |
| MIKE MCGREGOR | SUPERVISOR DISTRICT 2 | RIDGECREST INSURANCE | 100,000 |
| BRAD WARD | SUPERVISOR DISTRICT 3 | RIDGECREST INSURANCE | 100,000 |
| ERNIE WRIGHT | SUPERVISOR DISTRICT 4 | RIDGECREST INSURANCE | 100,000 |
| DAN MCKNIGHT | SUPERVISOR DISTRICT 5 | RIDGECREST INSURANCE | 100,000 |
| RICKY FERGUSON | COUNTY ADMINISTRATOR | RIDGECREST INSURANCE | 100,000 |
| REGINA FOSTER | PURCHASE CLERK | RIDGECREST INSURANCE | 75,000 |
| JOE WARREN | ASSISTANT PURCHASE CLERK | RIDGECREST INSURANCE | 50,000 |
| CAROL M JEFFREYS | ASSISTANT RECEIVING CLERK | RIDGECREST INSURANCE | 75,000 |
| RICKY WILLIAMS | ASSISTANT RECEIVING CLERK | RIDGECREST INSURANCE | 50,000 |
| TIM HOLCOMB | RECEIVING CLERK | RIDGECREST INSURANCE | 75,000 |
| DONNIE McCARTY | ASSISTANT RECEIVING CLERK | RIDGECREST INSURANCE | 50,000 |
| EDDIE CHRISTIAN | ASSISTANT RECEIVING CLERK | RIDGECREST INSURANCE | 50,000 |
| RICKY FERGUSON | INVENTORY CONTROL CLERK | RIDGECREST INSURANCE | 75,000 |
| LD GILLESPIE | CONSTABLE | RIDGECREST INSURANCE | 50,000 |
| TOMMY CORBIN | CONSTABLE | RIDGECREST INSURANCE | 50,000 |
| LEO MASK | SHERIFF | RIDGECREST INSURANCE | 100,000 |
| MELINDA NOWICKI | CIRCUIT CLERK | RIDGECREST INSURANCE | 100,000 |
| CINDY DIDONNA | DEPUTY CIRCUIT CLERK | RIDGECREST INSURANCE | 50,000 |
| LISA D FOWLER | DEPUTY CIRCUIT CLERK | RIDGECREST INSURANCE | 50,000 |
| MELISSA POUNDS | DEPUTY CIRCUIT CLERK | RIDGECREST INSURANCE | 50,000 |
| DAVID HALL | JUSTICE COURT JUDGE | RIDGECREST INSURANCE | 50,000 |
| SCOTTIE HARRISON | JUSTICE COURT JUDGE | RIDGECREST INSURANCE | 50,000 |
| MELISSA FERGUSON | DEPUTY JUSTICE COURT CLERK | RIDGECREST INSURANCE | 50,000 |
| CHERYL WOODS | DEPUTY JUSTICE COURT CLERK | RIDGECREST INSURANCE | 50,000 |
| GLENDA HITT | DEPUTY JUSTICE COURT CLERK | RIDGECREST INSURANCE | 50,000 |
| LAUREN MUNN | DEPUTY JUSTICE COURT CLERK | RIDGECREST INSURANCE | 50,000 |
| BRYAN WOOD | AG CENTER DIRECTOR | RIDGECREST INSURANCE | 25,000 |
| RICKY FERGUSON | CHANCERY COURT CLERK | RIDGECREST INSURANCE | 25,000 |
| CATHY PURDON | DEPUTY CHANCERY CLERK | RIDGECREST INSURANCE | 50,000 |
| BRENDA FARR | DEPUTY CHANCERY CLERK | RIDGECREST INSURANCE | 50,000 |
| ANGIE SHETTLES | DEPUTY CHANCERY CLERK | RIDGECREST INSURANCE | 50,000 |
| MAGGIE PATRICK | DEPUTY CHANCERY CLERK | RIDGECREST INSURANCE | 50,000 |
| CHISHON WASHINGTON | DEPUTY CHANCERY CLERK | RIDGECREST INSURANCE | 50,000 |
| VAN McWHIRTER | TAX ASSESSOR/COLLECTOR | RIDGECREST INSURANCE | 100,000 |
| MARTHA ZINN | DEPUTY TAX COLLECTOR | RIDGECREST INSURANCE | 50,000 |
| MYRTLE ELIZABETH SLEDGE | DEPUTY TAX COLLECTOR | RIDGECREST INSURANCE | 50,000 |
| KRISTY BOLIN | DEPUTY TAX COLLECTOR | RIDGECREST INSURANCE | 50,000 |
| JENNIFER BROWN | DEPUTY TAX COLLECTOR | RIDGECREST INSURANCE | 50,000 |
| PAUL HEATH | DEPUTY TAX ASSESSOR | RIDGECREST INSURANCE | 50,000 |
| MANDY DITTO | E911 | RIDGECREST INSURANCE | 50,000 |
| ALLEN WOODY MORRIS | ASSISTANT RECEIVING CLERK | RIDGECREST INSURANCE | 50,000 |
| LORNA WRIGHT | DEPUTY TAX ASSESSOR | RIDGECREST INSURANCE | 50,000 |
| JENNIE LUCROY | DEPTUY TAX COLLECTOR | RIDGECREST INSURANCE | 50,000 |
| MELISSA WILDER | DEPUTY TAX ASSESSOR | RIDGECREST INSURANCE | 50,000 |
| BILLY BAGGETT | ASSISTANT RECEIVING CLERK | RIDGECREST INSURANCE | 50,000 |
| TROY WARD | DEPUTY TAX COLLECTOR | RIDGECREST INSURANCE | 50,000 |

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SPECIAL REPORTS

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

Members of the Board of Supervisors
Pontotoc County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pontotoc County, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 4, 2019. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the reporting entity that include the financial data for its component unit. The report is qualified on the governmental activities, business-type activities, and Solid Waste Fund because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2018-001, 2018-002, 2018-003, and 2018-004 that we consider to be a material weakness.

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

- Continued -

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pontotoc County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003 and 2018-004.

Pontotoc County's Response to Finding

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

Purpose of this Report

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

M. M. Winkler & Associates, PLLC

September 4, 2019

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

Members of the Board of Supervisors
Pontotoc County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Pontotoc County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018. Pontotoc County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pontotoc County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pontotoc County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Pontotoc County, Mississippi's compliance.

Opinion on the Major Federal Program

In our opinion, Pontotoc County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2018

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

- Continued -

Report on Internal Control Over Compliance

Management of Pontotoc County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Pontotoc County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pontotoc County, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompany schedule of findings and questioned costs as item 2018-005, that we consider to be a significant deficiency.

Pontotoc County, Mississippi's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Pontotoc County, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

M. M. Winkler & Associates, PLLC

September 4, 2019

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

Members of the Board of Supervisors
Pontotoc County, Mississippi

We have examined Pontotoc County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2018. The Board of Supervisors of Pontotoc County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

Inventory Clerk

1. Inventory Clerk did not maintain a complete inventory system.

Repeat Finding No.

Criteria Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include marking all assets as property of the county, and reconciling capital asset amounts added to inventory to invoices to ensure proper accounting

Condition During our audit, it was noted that several capital assets had not been placed on the fixed asset ledger. They were subsequently added.

Cause Per the Inventory Clerk, the items found were inadvertently left off inventory of fixed asset inventory.

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

| | |
|--------------------------|---|
| Recommendation | The Inventory Control Clerk should ensure that adequate internal controls are put in place over capital assets to ensure that all county assets are accounted for properly in the inventory records. |
| Official Response | New procedures have been put into place to address these concerns. The inventory control system is being monitored and will function as described. |
| Purchase Clerk 2. | <u>The Purchase Clerk failed to include all items meeting the applicable criteria.</u> |
| Repeat Finding | Yes. |
| Criteria | Section 31-7-115, Mississippi Code Annotated (1972) states, "The audit report shall include a schedule of purchases not made for the lowest bidder under the authority of Section 31-7-13(d). The audit report shall include a schedule of emergency purchases made under the authority of Section 31-7-13(k). The audit report shall include a schedule of purchases made noncompetitively from a sole source under the authority of Section 31-7-13(m)." |
| Condition | <p>As a result of procedures performed, we discovered that the Purchase Clerk schedules failed to include the following:</p> <p>Purchase made from Sansom Equipment Co. Inc., which was not the lowest bidder. This purchase was described on the minutes as the "best competitive bid received (even though not the lowest) due to bid meeting advertised specs."</p> <p>Purchase made from B&B Concrete Co. which was described in documentation as an emergency.</p> |
| Cause | The Purchase Clerk did not include all applicable purchases on the Schedule of Purchases. |
| Effect | Failure to maintain accurate purchasing records could result in violation of state purchasing statutes and/or the misappropriation of public funds. |
| Recommendation | The Purchase Clerk should ensure all items, meeting the applicable criteria, are included in the Purchase Schedules. |
| Official Response | In the future, I will keep better documents of schedule purchases. Better communication will correct this issue. |

In our opinion, except for the noncompliance referred to in the preceding paragraphs, Pontotoc County, Mississippi, did comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2018.

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

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

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

M. M. Winkler & Associates, PLLC

September 4, 2019

PONTOTOC COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2018

Schedule 1

| <u>Date</u> | <u>Item Purchased</u> | <u>Bid Accepted</u> | <u>Lowest Bid</u> | <u>Vendor</u> | <u>Reason for Accepting Than the Lowest</u> |
|-------------|---------------------------|-------------------------|-----------------------|-----------------------|---|
| 02/23/2018 | Garbage Truck | \$ 133,240 | \$ 124,357 | Sansom Equipment Co.. | Bid did not meet specification. |

PONTOTOC COUNTY, MISSISSIPPI

Schedule of Emergency Purchases

For the Year Ended September 30, 2018

Schedule 2

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> | <u>Reason for Emergency Purchase</u> |
|-------------|---------------------------|------------------------|------------------|---|
| 10/31/2017 | Concrete | \$ 7,930 | B&B Concrete Co. | Underestimate of concrete needs on a project |

PONTOTOC COUNTY, MISSISSIPPI
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2018

Schedule 3

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> |
|-------------|---------------------------|------------------------|-------------------|
| 06/29/2018 | Fans | \$ 44,300 | Big Ass Solutions |

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Pontotoc County, Mississippi

In planning and performing our audit of the financial statements of Pontotoc County, Mississippi for the year ended September 30, 2018, we considered Pontotoc County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Pontotoc County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 4, 2019, on the financial statements of Pontotoc County, Mississippi.

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

The results of our review procedures and compliance tests identified a certain immaterial instance of noncompliance with state laws and regulations and areas that are opportunities for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response is disclosed below:

Board of Supervisors.

1. Submission of the Public Depositors Annual Report was not accurate with all bank accounts listed as required by MS state law.

Repeat Finding Yes.

Criteria Section 27-105-5(6)(b), Mississippi Code Annotated (1972) provides that public depositors shall comply with the following requirement: (b) Not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end. A public entity established during the year shall furnish its official name, address and federal tax identification number to the State Treasurer before making any public deposit.

Condition Our test work revealed that the Public Depositors Annual Report was not complete with all required bank accounts for Fiscal Year 2018.

Cause The Public Depositors Annual Report was not reviewed for accuracy.

| | |
|--------------------------|--|
| Effect | Without notifying the State Treasurer of its official name, address, federal tax identification number, and providing a list of all accounts that it had with qualified public depositories, including the balance in these accounts, as of its fiscal year end, the risk increases that the county's total deposits may not be properly collateralized and not complying with Section 27-105-5(6)(b). |
| Recommendation | We recommend the the County strengthen controls to ensure that in the future all bank accounts are included in the reporting to be in compliance with state law. |
| Official Response | This was a simple oversight of small accounts used in Circuit Clerk and Tax Assessors office. This issue will be corrected on future reports. |

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

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

M. M. Winkler & Associates, PLLC

September 4, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

| | |
|--|------------|
| Governmental activities | Qualified |
| Business-type activities | Qualified |
| Aggregate discretely presented component units | Adverse |
| General Fund | Unmodified |
| Countywide Road Maintenance Fund | Unmodified |
| Pride Mobility Fund | Unmodified |
| Solid Waste Fund | Qualified |
| Aggregate remaining fund information | Unmodified |
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? None reported
3. Noncompliance material to the financial statements noted? Yes

Federal Awards:

4. Internal control over major programs:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified? Yes
5. Type of auditor's report issued on compliance for major federal programs: Unmodified
6. Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes
7. Identification of major program:

Airport Improvement Program CFDA# 26.106
8. The dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as a low-risk auditee? No

PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

Section 2: Financial Statement Findings

Board of Supervisors.

2018-001 Financial data for component units not included in financial statements.

Repeat Finding Yes, 2016-001, 2017-001

Criteria Generally accepted accounting principles require the financial data of the County's component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit.

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

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

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

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

Views of Responsible Officials Pontotoc will comply when economically feasible.

Material Weakness

2018-002 Liability for postemployment benefits not recorded and note disclosures for postemployment benefits not reported.

Repeat Finding Yes, 2016-002, 2017-002

Criteria Pontotoc County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees through the county's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as a single employer defined benefit health care plan. GASB Statement 45 requires the county to report on an accrual basis the liability associated with other postemployment benefits.

Condition As stated in the prior years' audit reports, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The County does not issue a publicly available financial report for its health insurance plan.

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

PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

Section 2: Financial Statement Findings - continued

| | |
|---|--|
| Effect | The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business-type activities and Solid Waste Fund. |
| Recommendation | The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America. |
| Views of Responsible Officials | Pontotoc will comply when economically feasible. |
| Material Weakness Material Noncompliance | |
| 2018-003 | <u>The Board of Supervisors did not cite the specific/correct levy authority from the Mississippi Code for each county levy.</u> |
| Repeat Finding | Yes, 2016-003, 2017-003 |
| Criteria | Section 27-39-317, Miss. Code Ann. (1972), requires the Board of Supervisors to specify the purpose of each tax levy when approving the tax levy. The specific and correct authority from the Mississippi Code should be cited for each tax levy contained in the county ad valorem tax levy. |
| Condition | The Board of Supervisors approved the fiscal year ended September 30, 2018 tax levy without citing the specific and/or correct authority from the Mississippi Code for each tax levy approved. |
| Cause | The codes were not included before the budget for fiscal year 2018 was approved by the Board of Supervisors. |
| Effect | The omissions of legal descriptions could lead to improper or unauthorized tax levies. |
| Recommendation | The Board of Supervisors should cite the specific and correct levy authority from the Mississippi Code for each county levy. |
| Views of Responsible Officials | This issue was addressed by the new administration with the following year budget preparation process. These codes are now included and will be reviewed for accuracy. |

PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

Section 2: Financial Statement Findings - continued

Material Weakness

Material Noncompliance

| | |
|---------------------------------------|---|
| 2018-004 | <u>The Board of Supervisors authorized to levy annual taxes for amount that exceeds authority.</u> |
| Repeat Finding | Yes, 2016-004, 2017-004 |
| Criteria | Section 37-59-107, Miss. Code Ann. (1972), authorizes the Board of Supervisors to levy taxes for the school district in an amount sufficient to pay the principal of and interest upon such negotiable notes or certificates of indebtedness. It is expressly provided, however, that, such annual tax levy shall not exceed three (3) mills. |
| Condition | The Board of Supervisors authorized to levy taxes for the school district in an amount that exceeded three (3) mills with a reference to Section 37-59-101, Miss. Code Ann. (1972), which refers to purposes for which money may be borrowed by school boards. Section 37-59-101, Miss. Code Ann. (1972), does not refer to tax levy amounts, however, Section 37-59-107 does authorize the tax levy. |
| Cause | This was an error during the budgeting process that led to an authorization to levy annual taxes for an amount that exceeds authority. |
| Effect | The failure to levy taxes for the proper amounts will result in noncompliance with Mississippi Code Section 37-59-107. |
| Recommendation | The Board of Supervisors should verify that each county levy is in compliance with state statute. |
| Views of Responsible Officials | We acknowledge this error and it was corrected going into the next budget process. |

PONTOTOC COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiency

U.S. Department of Transportation

| | |
|---------------------------------------|--|
| 2018-005 | Federal Aviation Administration, Airport Improvement Program, CFDA No. 20.106; Grant No. 3-28-0061-011-2017 – Year ended September 30, 2018. |
| Criteria | Reporting for federal reimbursement should be complete, accurate and appropriately supported. |
| Condition | During audit test work, one instance was noted in reporting of expenses was not accurate. |
| Cause | Procedures are in place for reporting. However, in this instance an invoice was reduced upon payment to a vendor. The reported amount in the request for reimbursement was not reduced by the amount withheld from the vendor. |
| Effect | The reporting for reimbursement in this instance was overstated and the County received excess federal funds of \$7,650. |
| Recommendation | The County should implement procedures to ensure requests reporting of expenses for reimbursement are complete, accurate and appropriately supported. |
| Views of Responsible Officials | This was a error due to a form submitted by the Engineering Service. This will be addressed and corrected in all future federal grant payment request and disbursements. |

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AUDITEE'S CORRECTIVE ACTION PLAN

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**Ricky Ferguson
Pontotoc County Chancery Clerk**

Deputy Clerks

Maggie Patrick
Brenda Ware
Cathy Purdon

Deputy Clerks

Angie Shettles
Chris Washington

CORRECTIVE ACTION PLAN

2018-005 Corrective Action Plan

The Board of Supervisors has and will implement procedures to ensure requests for reimbursement are timely, complete, accurate, and supported by documentation.

Anticipated Completion Date:

September 2019

Name of Contact Responsible for the Corrective Action:

**Ricky Ferguson
Chancery Clerk/County Admin.**

Sincerely,

Pontotoc County Mississippi

A handwritten signature in blue ink that reads "Mike McGregor".

**Mike McGregor
President, Board of Supervisors
662-489-3900**

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