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FINANCIAL STATEMENTS
CITY OF PONTOTOC, MISSISSIPPI
Year Ended September 30, 2020

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Pontotoc, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pontotoc, Mississippi as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pontotoc, Mississippi, as of September 30, 2020, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions on pages 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the schedule of expenditures of federal awards and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, on our consideration of the City of Pontotoc, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pontotoc's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
October 28, 2021

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2020

This section of the City of Pontotoc's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2020. Please read it in conjunction with the City of Pontotoc financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$27,617,491. Of this amount, \$0 may be used to meet the City of Pontotoc's ongoing obligations to citizens and creditors. This compares to the previous year when assets exceeded liabilities by \$27,108,862 of which \$0 was available to meet the City's ongoing obligations.
- As of the close of the current fiscal year, the City of Pontotoc governmental funds reported combined ending fund balances of \$1,273,450, a decrease of \$417,113 in comparison to the prior year. Approximately 66 percent of the combined fund balances, \$843,099 is considered unassigned and is available for spending at the City of Pontotoc's discretion.
- The City of Pontotoc's total debt is \$3,880,306. There was new debt issued in the current fiscal year in the amount of \$383,105. Debt in the amount of \$559,296 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF PONTOTOC, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

Figure A-1

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

	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, fire, and culture and recreation	Activities the City operates similar to private businesses: Water, Sewer and Gas System.
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position; Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF PONTOTOC, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Statements

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

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

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

Fund Financial Statements

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

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

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pontotoc has two types of funds:

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

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The City of Pontotoc's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by \$27,617,491 at the close of the most recent fiscal year.

A large portion, 100 percent, of the City's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 3,658,671	\$ 3,668,084	\$ 6,623,389	\$ 5,422,768	\$ 10,282,060	\$ 9,090,852
Capital Assets	14,812,014	14,196,732	17,608,854	18,032,737	32,420,868	32,229,469
Total Assets	18,470,685	17,864,816	24,232,243	23,455,505	42,702,928	41,320,321
Deferred Outflows	764,365	470,189	474,406	289,626	1,238,771	759,815
Total Deferred Outflows	764,365	470,189	474,406	289,626	1,238,771	759,815
Current and Other Liabilities	970,386	404,434	359,954	618,153	1,330,340	1,022,587
Long-Term Liabilities	8,617,884	7,798,134	5,865,382	5,723,320	14,483,266	13,521,454
Total Liabilities	9,588,270	8,202,568	6,225,336	6,341,473	15,813,606	14,544,041
Deferred Inflows	315,059	264,380	195,543	162,853	510,602	427,233
Total Deferred Inflows	315,059	264,380	195,543	162,853	510,602	427,233
Net Position:						
Net Investment in						
Capital Assets	12,847,127	12,386,182	15,693,435	15,786,790	28,540,562	28,172,972
Restricted	389,893	98,623	-	-	389,893	98,623
Unrestricted (Deficit)	(3,905,299)	(2,616,748)	2,592,335	1,454,015	(1,312,964)	(1,162,733)
Total Net Position	<u>\$ 9,331,721</u>	<u>\$ 9,868,057</u>	<u>\$ 18,285,770</u>	<u>\$ 17,240,805</u>	<u>\$ 27,617,491</u>	<u>\$ 27,108,862</u>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of our business-type activities was \$2,592,335 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Pontotoc generally can only use this net position to finance the continuing operations of the business type activities.

Changes in net position. Approximately 23.79 percent of the City of Pontotoc's revenue comes from sales and tourism taxes, with 27.66 percent of all revenue coming from some type of tax. (See Table A-2.) Another 61.94 percent comes from fees charged for services, 8.88 percent from operating and capital grants and contributions and the balance is from investment earnings, intergovernmental revenue and other miscellaneous receipts.

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

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 711,432	\$ 764,933	\$ 8,204,952	\$ 9,167,575	\$8,916,384	\$9,932,508
Operating Grants & Contributions	336,503	-	-	-	336,503	-
Capital Grants & Contributions	458,908	23,000	483,140	-	942,048	23,000
General Revenues:						
Sales Taxes	3,425,414	2,983,834	-	-	3,425,414	2,983,834
Other Taxes	555,859	581,400	-	-	555,859	581,400
Intergovernmental Revenues	43,935	43,199	-	-	43,935	43,199
Investment Income	114,504	131,888	1,932	-	116,436	131,888
Other	<u>76,979</u>	<u>144,985</u>	<u>(17,717)</u>	<u>31,819</u>	<u>59,262</u>	<u>176,804</u>
Total Revenues	5,723,534	4,673,239	8,672,307	9,199,394	14,395,841	13,872,633
Expenses						
General Government	783,162	722,301	-	-	783,162	722,301
Public Safety	3,190,884	2,980,132	-	-	3,190,884	2,980,132
Public Works	888,578	924,294	-	-	888,578	924,294
Culture & Recreation	779,530	924,416	-	-	779,530	924,416
Urban & Economic Development	336,503	-	-	-	336,503	-
Building Inspection	91,010	90,053	-	-	91,010	90,053
Materials Control / Mechanic	120,051	184,829	-	-	120,051	184,829
Water, Sewer & Gas System	-	-	7,588,526	8,984,620	7,588,526	8,984,620
Interest on Long Term Debt	<u>70,152</u>	<u>43,924</u>	<u>38,816</u>	<u>45,193</u>	<u>108,968</u>	<u>89,117</u>
Total Expenses	<u>6,259,870</u>	<u>5,869,949</u>	<u>7,627,342</u>	<u>9,029,813</u>	<u>13,887,212</u>	<u>14,899,762</u>
Excess of Revenue Over Expenses	(536,336)	(1,196,710)	1,044,965	169,581	508,629	(1,027,129)
Transfers	-	<u>663,611</u>	-	<u>(663,611)</u>	-	-
Increase (Decrease) in Net Position	(536,336)	(533,099)	1,044,965	(494,030)	508,629	(1,027,129)
Net Position—Beginning	<u>9,868,057</u>	<u>10,401,156</u>	<u>17,240,805</u>	<u>17,734,835</u>	<u>27,108,862</u>	<u>28,135,991</u>
Net Position—Ending	<u>\$ 9,331,721</u>	<u>\$ 9,868,057</u>	<u>\$ 18,285,770</u>	<u>\$ 17,240,805</u>	<u>\$ 27,617,491</u>	<u>\$ 27,108,862</u>

Governmental Activities

Governmental activities decreased the City's net position by \$536,336, thereby accounting for negative 105 percent of the increase in the City's net position. Key elements of this decrease are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales taxes (60 percent) and charges for services (12 percent).

The largest expense category for the City's governmental activities is public safety (51 percent).

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type Activities

Business-type activities increased the City's net position by \$1,044,965, thereby accounting for 205 percent of the increase in the City's net position.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$8,204,952 for the water, sewer and gas system.

Financial Analysis of the Government's Funds

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

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

General Fund—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$843,099, which comprised 95 percent of the fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 14 percent of total fund expenditures. The fund balance of the City's general fund decreased by \$713,907 during the current fiscal year.

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants from the federal and state governments. At the end of the current fiscal year, the fund balance was \$384,392, which will be used for future expenditures.

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

Proprietary Funds—The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$18,285,770.

Budgetary Highlights

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

The City's 2019-2020 general fund operating budget increased by approximately \$8,690 during the current fiscal year. This increase was related to changes in budgeted debt service expenditures.

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounted to \$32,420,868, net of accumulated depreciation of \$24,271,522. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 5,857,893	\$ 5,857,893	\$ 146,700	\$ 146,700	\$ 6,004,593	\$ 6,004,593
Construction in Progress	709,540	8,000	57,978	-	767,518	8,000
Plants, Buildings & Improvements	15,736,513	15,736,513	27,405,939	27,109,481	43,142,452	42,845,994
Machinery & Equipment	2,866,039	2,924,755	2,148,774	2,386,098	5,014,813	5,310,853
Infrastructure	1,763,014	1,738,014	-	-	1,763,014	1,738,014
Accumulated Depreciation	(12,120,985)	(12,068,443)	(12,150,537)	(11,609,542)	(24,271,522)	(23,677,985)
Total	<u>\$ 14,812,014</u>	<u>\$ 14,196,732</u>	<u>\$ 17,608,854</u>	<u>\$ 18,032,737</u>	<u>\$ 32,420,868</u>	<u>\$ 32,229,469</u>

Long-term Debt—At year-end, the city had \$3,880,306 in bonds and note payables outstanding. More detailed information about the City of Pontotoc's long-term liabilities is presented in the notes to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
CAP Loans	\$ 892,104	\$ 960,191	\$ -	\$ -	\$ 892,104	\$ 960,191
Notes Payable	1,072,783	850,359	1,915,419	2,245,947	2,988,202	3,096,306
Total	<u>\$ 1,964,887</u>	<u>\$ 1,810,550</u>	<u>\$ 1,915,419</u>	<u>\$ 2,245,947</u>	<u>\$ 3,880,306</u>	<u>\$ 4,056,497</u>

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2021 budget. The total budgeted appropriations for the City operations are \$5,932,918. This is a decrease from the prior year budget. The decrease is primarily related to decreases in capital outlay.

CONTACTING THE CITY OF PONTOTOC FINANCIAL MANAGEMENT

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

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash on Deposit - Unrestricted	\$ 1,109,034	\$ 4,722,304	\$ 5,831,338
Cash on Deposit - Restricted	340,781	-	340,781
Money Market, CD's - Unrestricted	15,770	-	15,770
Accounts Receivable, Net	60,028	1,116,441	1,176,469
Inventory	-	777,340	777,340
Prepaid Expenses	24,688	7,304	31,992
Court Fines Receivable, Net	585,103	-	585,103
Due From Other Governments	439,291	-	439,291
Lease Payments Receivables, Current Portion	139,904	-	139,904
Lease Payments Receivables, Noncurrent Portion	944,072	-	944,072
Capital Assets:			
Land	5,857,893	146,700	6,004,593
Construction in Progress	709,540	57,978	767,518
Plant, Buildings and Improvements	15,736,513	27,405,939	43,142,452
Machinery and Equipment	2,866,039	2,148,774	5,014,813
Infrastructure	1,763,014	-	1,763,014
Accumulated Depreciation	(12,120,985)	(12,150,537)	(24,271,522)
TOTAL ASSETS	\$ 18,470,685	\$ 24,232,243	\$ 42,702,928
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows - Pensions	764,365	474,406	1,238,771
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 764,365	\$ 474,406	\$ 1,238,771

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

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 528,917	\$ 22,910	\$ 551,827
Due to Other Governments	187,225	-	187,225
Long-term Liabilities, Due Within One Year			
Notes Payable	254,244	337,044	591,288
Long-term Liabilities, Due In More Than One Year			
Notes Payable	1,710,643	1,578,375	3,289,018
Net Pension Liability	6,907,241	4,287,007	11,194,248
TOTAL LIABILITIES	\$ 9,588,270	\$ 6,225,336	\$ 15,813,606
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows - Pensions	315,059	195,543	510,602
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 315,059	\$ 195,543	\$ 510,602
<u>NET POSITION:</u>			
Net Investment in Capital Assets	12,847,127	15,693,435	28,540,562
Restricted for:			
Debt Service	-	-	-
Drug Seizure Funds	5,501	-	5,501
Tourism	384,392	-	384,392
Unrestricted (Deficit)	(3,905,299)	2,592,335	(1,312,964)
TOTAL NET POSITION	\$ 9,331,721	\$ 18,285,770	\$ 27,617,491

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

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activities
			Capital Contributions	Total		
PRIMARY GOVERNMENT						
Governmental Activities:						
General Government	\$ 783,162	\$ 171,662	\$ -	\$ 171,662	\$ (611,500)	\$ -
Public Safety	3,190,884	309,017	-	767,925	(2,422,959)	-
Public Works	888,578	-	458,908	-	(888,578)	-
Culture and Recreation	779,530	230,753	-	230,753	(548,777)	-
Urban and Economic Development	336,503	-	-	336,503	-	-
Materials Control / Mechanic	120,051	-	-	-	(120,051)	-
Building Inspection	91,010	-	-	-	(91,010)	-
Interest on Long-Term Debt	70,152	-	-	-	(70,152)	-
TOTAL GOVERNMENTAL ACTIVITIES	6,259,870	711,432	458,908	1,506,843	(4,753,027)	-
Business-Type Activities:						
Water/Sewer Utility Fund	2,561,758	2,876,329	400,000	3,276,329	-	714,571
Gas Utility Fund	5,065,584	5,328,623	83,140	5,411,763	-	346,179
TOTAL BUSINESS-TYPE ACTIVITIES	7,627,342	8,204,952	483,140	8,688,092	-	1,060,750
TOTAL PRIMARY GOVERNMENT	\$ 13,887,212	\$ 8,916,384	\$ 336,503	\$ 10,194,935	\$ (4,753,027)	\$ 1,060,750

GENERAL REVENUES:

Taxes:						
Sales, Tourism and Use Taxes	\$ 3,425,414	\$ -	\$ -	\$ 3,425,414		
County Pro Rata Taxes	226,701	-	-	226,701		
Licenses and Permits	84,415	-	-	84,415		
In Lieu Taxes	236,702	-	-	236,702		
Gasoline Taxes	8,041	-	-	8,041		
Intergovernmental Revenues	43,935	-	-	43,935		
Investment Earnings	114,504	1,932	-	116,436		
Gain (Loss) on Asset Disposal	(50,175)	(60,791)	-	(110,966)		
Miscellaneous	127,154	43,074	-	170,228		
TOTAL GENERAL REVENUES AND TRANSFERS	4,216,691	(15,785)	-	4,200,906		
CHANGE IN NET POSITION	(536,336)	1,044,965	-	508,629		
NET POSITION--BEGINNING	9,868,057	17,240,805	-	27,108,862		
NET POSITION--ENDING	\$ 9,331,721	\$ 18,285,770	\$ -	\$ 27,617,491		

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

CITY OF PONTOTOC, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit - Unrestricted	\$ 1,109,034	\$ -	\$ 1,109,034
Cash on Deposit - Restricted	5,501	335,280	340,781
Money Market, CD's - Unrestricted	15,770	-	15,770
Accounts Receivable	60,028	-	60,028
Due From Other Governments	390,179	49,112	439,291
Prepaid Insurance	24,688	-	24,688
TOTAL ASSETS	\$ 1,605,200	\$ 384,392	\$ 1,989,592
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 528,917	\$ -	\$ 528,917
Due to Other Governments	187,225	-	187,225
TOTAL LIABILITIES	716,142	-	716,142
<u>FUND BALANCES:</u>			
Nonspendable:			
Prepaid Items	24,688	-	24,688
Unemployment Trust	15,770	-	15,770
Restricted:			
Debt Service	-	-	-
Drug Seizure Funds	5,501	-	5,501
Tourism	-	384,392	384,392
Assigned	-	-	-
Unassigned	843,099	-	843,099
TOTAL FUND BALANCES	889,058	384,392	1,273,450
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,605,200	\$ 384,392	\$ 1,989,592

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

CITY OF PONTOTOC, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2020

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,273,450
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	14,812,014
Deferred revenues for lease receivables deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	1,083,976
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(1,964,887)
The net pension liability is not due and payable in the current period, and, therefore, is not reported in the Governmental Funds Balance Sheet	(6,907,241)
Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the Governmental Funds Balance Sheet:	
Deferred outflows of resources related to pensions	764,365
Deferred inflows of resources related to pensions	(315,059)
Accrual of court fine revenues to qualify as financial resources.	585,103
	<hr/>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>9,331,721</u></u>

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

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Sales, Tourism and Use Taxes	\$ 2,928,050	\$ 497,364	\$ 3,425,414
Licenses and Permits	84,415	-	84,415
In Lieu of Taxes	236,702	-	236,702
Penalties and Interest	28,984	-	28,984
Park and Recreation Fees	230,753	-	230,753
Intergovernmental Revenues	51,976	-	51,976
County Pro Rata Taxes	226,701	-	226,701
School Tax Collection Fees	138,215	-	138,215
Lease Rentals	216,503	-	216,503
Fines and Forfeits	272,817	-	272,817
Interest Income	65,950	-	65,950
Grant Income	795,411	-	795,411
Miscellaneous Revenues	98,171	-	98,171
TOTAL REVENUES	5,374,648	497,364	5,872,012
EXPENDITURES:			
Current:			
General Government	612,059	-	612,059
Public Safety	2,879,754	-	2,879,754
Public Works	1,639,946	-	1,639,946
Culture and Recreation	503,701	200,570	704,271
Urban and Economic Development	336,503	-	336,503
Materials Control and Mechanic	164,104	-	164,104
Building Inspection	78,982	-	78,982
Debt Service	298,920	-	298,920
TOTAL EXPENDITURES	6,513,969	200,570	6,714,539
EXCESS OF REVENUES			
OVER (UNDER) EXPENDITURES	(1,139,321)	296,794	(842,527)
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Capital Assets	42,309	-	42,309
Proceeds from Issuance of Debt	383,105	-	383,105
TOTAL OTHER FINANCING			
SOURCES (USES)	425,414	-	425,414
NET CHANGE IN FUND BALANCES	(713,907)	296,794	(417,113)
FUND BALANCES - Beginning	1,602,965	87,598	1,690,563
FUND BALANCES - Ending	\$ 889,058	\$ 384,392	\$ 1,273,450

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

CITY OF PONTOTOC, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(417,113)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		1,060,293
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Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(352,527)
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Proceeds from the disposition of capital assets is reported as income in the Governmental Funds. The gain or loss on the sale of the capital assets and not the gross proceeds are reported as income in the Government-Wide Statement of Activities.		(92,484)
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Payments received related to lease receivable reported as revenue on the Governmental Funds financial statements as received.		(134,502)
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Revenues related to court fines in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		36,200
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Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.		(481,866)
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Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position.		
Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
This amount represents long-term debt proceeds		(383,105)
This amount represents long-term debt repayments.		228,768

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(536,336)
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The accompanying notes are an integral part of these financial statements.

CITY OF PONTOTOC, MISSISSIPPI
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the Year Ended September 30, 2020

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
Sales and Use Taxes	\$ 2,750,000	\$ 2,750,000	\$ 2,760,073	\$ 10,073
Licenses and Permits	84,500	84,500	84,415	(85)
In Lieu of Taxes	280,000	280,000	241,829	(38,171)
Penalties and Interest	43,000	43,000	28,984	(14,016)
Park and Recreation Fees	241,250	241,250	230,753	(10,497)
Intergovernmental Revenues	53,000	53,000	51,976	(1,024)
County Pro Rata Taxes	260,000	260,000	234,516	(25,484)
Charges for Services	150,000	150,000	138,215	(11,785)
Rentals	222,020	222,020	216,503	(5,517)
Fines and Forfeits	376,391	376,391	272,817	(103,574)
Interest Income	75,000	75,000	65,950	(9,050)
Grant Income	321,845	354,675	795,411	440,736
Donations	-	-	-	-
Miscellaneous Revenues	183,000	183,000	97,797	(85,203)
TOTAL REVENUES	5,040,006	5,072,836	5,219,239	146,403
EXPENDITURES:				
Current:				
General Government	630,443	630,443	612,059	18,384
Public Safety	2,848,062	2,848,062	2,879,754	(31,692)
Public Works	1,110,106	1,110,106	1,639,946	(529,840)
Culture and Recreation	599,820	599,820	503,701	96,119
Urban and Economic Development	336,503	336,503	336,503	-
Materials Control and Mechanic	180,507	180,507	164,104	16,403
Building Inspection	87,573	87,573	78,982	8,591
Debt Service	220,430	229,120	298,920	(69,800)
TOTAL EXPENDITURES	6,013,444	6,022,134	6,513,969	(491,835)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(973,438)	(949,298)	(1,294,730)	(345,432)
OTHER FINANCING SOURCES (USES):				
Proceeds from Debt Issuance	-	300,000	383,105	83,105
Sale of Capital Assets	-	-	24,680	24,680
Transfers (to) from Other Funds	882,645	882,645	-	(882,645)
TOTAL OTHER FINANCING SOURCES (USES)	882,645	1,182,645	407,785	(774,860)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ (90,793)	\$ 233,347	\$ (886,945)	\$ (1,120,292)

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

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2020

	Water/Sewer Utility Fund	Gas Utility Fund	Total
<u>ASSETS:</u>			
<u>Current Assets</u>			
Cash on Deposit - Unrestricted	\$ 3,085,003	\$ 1,637,301	\$ 4,722,304
Accounts Receivable, Net of Provision for Bad Debts	551,314	565,127	1,116,441
Prepaid Expenses	7,304	-	7,304
Inventory	91,906	685,434	777,340
Total Current Assets	<u>3,735,527</u>	<u>2,887,862</u>	<u>6,623,389</u>
<u>Fixed Assets</u>			
Distributions Systems	11,569,085	15,312,944	26,882,029
Buildings	32,940	490,970	523,910
Equipment	944,109	1,204,665	2,148,774
Construction in Progress	57,978	-	57,978
Land	136,200	10,500	146,700
Less: Accumulated Depreciation	<u>(4,764,134)</u>	<u>(7,386,403)</u>	<u>(12,150,537)</u>
Net Fixed Assets	<u>7,976,178</u>	<u>9,632,676</u>	<u>17,608,854</u>
 TOTAL ASSETS	 <u>\$ 11,711,705</u>	 <u>\$ 12,520,538</u>	 <u>\$ 24,232,243</u>
<u>Deferred Outflows of Resources</u>			
Deferred Outflows - Pensions	219,570	254,836	474,406
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 219,570</u>	<u>\$ 254,836</u>	<u>\$ 474,406</u>
<u>LIABILITIES AND NET POSITION:</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 13,282	\$ 4,479	\$ 17,761
Interest Payable	5,149	-	5,149
Notes and Bonds Payable - Due Within One Year	<u>337,044</u>	<u>-</u>	<u>337,044</u>
Total Current Liabilities	<u>355,475</u>	<u>4,479</u>	<u>359,954</u>
<u>Noncurrent Liabilities</u>			
Notes and Bonds Payable, Due in More Than one Year	1,578,375	-	1,578,375
Net Pension Liability	<u>1,984,164</u>	<u>2,302,843</u>	<u>4,287,007</u>
Total Noncurrent Liabilities	<u>3,562,539</u>	<u>2,302,843</u>	<u>5,865,382</u>
 TOTAL LIABILITIES	 <u>3,918,014</u>	 <u>2,307,322</u>	 <u>6,225,336</u>
<u>Deferred Inflows of Resources</u>			
Deferred Inflows - Pensions	90,504	105,039	195,543
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>90,504</u>	<u>105,039</u>	<u>195,543</u>
<u>Net Position</u>			
Net Investment in Capital Assets	6,060,759	9,632,676	15,693,435
Unrestricted	<u>1,861,998</u>	<u>730,337</u>	<u>2,592,335</u>
Total Net Position	<u>7,922,757</u>	<u>10,363,013</u>	<u>18,285,770</u>
TOTAL NET POSITION	<u>\$ 7,922,757</u>	<u>\$ 10,363,013</u>	<u>\$ 18,285,770</u>

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

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	Water/Sewer Utility Fund	Gas Utility Fund	Total
OPERATING REVENUES:			
Charges for Services	\$ 2,829,413	\$ 5,272,463	\$ 8,101,876
Service Charges and Penalties	46,916	56,160	103,076
Other Receipts	43,074	-	43,074
 Total Operating Revenues	 2,919,403	 5,328,623	 8,248,026
 Less: Gas Purchased	 -	 2,549,861	 2,549,861
 Net Income Before Operating Expenses	 2,919,403	 2,778,762	 5,698,165
OPERATING EXPENSES:			
Personnel Services	1,139,362	1,256,202	2,395,564
Contractual Services	203,128	-	203,128
Supplies	68,201	125,537	193,738
Depreciation and Amortization	365,855	470,832	836,687
Other Services	744,734	659,462	1,404,196
 Total Operating Expenses	 2,521,280	 2,512,033	 5,033,313
 Operating Income (Loss)	 398,123	 266,729	 664,852
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	1,932	-	1,932
Grant Income	400,000	83,140	483,140
Interest and Fiscal Charges	(38,816)	-	(38,816)
Uncollectible Accounts Expense	(1,662)	(3,690)	(5,352)
Gain (Loss) on Sale of Fixed Asset	(22,475)	(38,316)	(60,791)
 Total Non-Operating Revenues (Expenses)	 338,979	 41,134	 380,113
INCOME BEFORE OPERATING TRANSFERS:	 737,102	 307,863	 1,044,965
 Operating Transfers In	 -	 -	 -
Operating Transfers (Out)	-	-	-
 CHANGE IN NET POSITION	 737,102	 307,863	 1,044,965
 NET POSITION - OCTOBER 1	 7,185,655	 10,055,150	 17,240,805
 NET POSITION - SEPTEMBER 30	 \$ 7,922,757	 \$ 10,363,013	 \$ 18,285,770

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

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	Water/Sewer Utility Fund	Gas Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 2,959,048	\$ 5,304,090	\$ 8,263,138
Cash Payments for Gas Purchases	-	(2,540,083)	(2,540,083)
Cash Payments for Personal Services	(987,656)	(1,080,891)	(2,068,547)
Cash Payments for Contractual Services	(203,128)	-	(203,128)
Cash Payments for Supplies	(59,835)	(125,537)	(185,372)
Cash Payments for Other Services	(779,343)	(910,623)	(1,689,966)
Net Cash Provided By Operating Activities	<u>929,086</u>	<u>646,956</u>	<u>1,576,042</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Transfers - In from (Out) to Other Funds	<u>(21,088)</u>	54,831	33,743
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>(21,088)</u>	<u>54,831</u>	<u>33,743</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Fixed Assets	(116,333)	(357,262)	(473,595)
Capital Grant Funds Received	400,000	83,140	483,140
Principal Paid on Bonds, Notes and Capital Lease Payables	(330,528)	-	(330,528)
Interest Paid on Bonds, Notes and Capital Lease Payables	(38,816)	-	(38,816)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(85,677)</u>	<u>(274,122)</u>	<u>(359,799)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Investments	1,932	-	1,932
Net Cash Provided By Investing Activities	<u>1,932</u>	<u>-</u>	<u>1,932</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	<u>824,253</u>	<u>427,665</u>	<u>1,251,918</u>
CASH AND RESTRICTED CASH, OCTOBER 1	<u>2,260,750</u>	<u>1,209,636</u>	<u>3,470,386</u>
CASH AND RESTRICTED CASH, SEPTEMBER 30	<u>\$ 3,085,003</u>	<u>\$ 1,637,301</u>	<u>\$ 4,722,304</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 398,123	\$ 266,729	\$ 664,852
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities			
Depreciation	365,855	470,832	836,687
Net Pension Expense	151,706	175,311	327,017
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	39,645	(24,533)	15,112
(Increase) Decrease in Inventory	8,366	(11,276)	(2,910)
Increase (Decrease) in Accounts Payable - operating activities	(34,609)	(230,107)	(264,716)
Total Adjustments	<u>530,963</u>	<u>380,227</u>	<u>911,190</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 929,086</u>	<u>\$ 646,956</u>	<u>\$ 1,576,042</u>

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The City reports the following governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Financial Reporting Entity

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

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

Included within the reporting entity:

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

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Excluded from the reporting entity:

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

Budgets and Budgetary Accounting

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

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Cash and Cash Equivalents

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

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are capitalized at estimated fair market value on the date donated.

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

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

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

Deferred Outflows/Inflows of Resources

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

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

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

Deferred amounts on pensions - The City has deferred outflows and inflows related to pensions which represents the City's proportionate share of the deferred outflows and inflows of resources reported by the pension plan in which the City participates. See Note 7 for further details.

Pensions

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

Revenue Recognition

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

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

Encumbrances

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

Other Long-term Obligations

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

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

Compensated Absences

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

Inventories

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

Equity Classifications

Government-wide Financial Statements:

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

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

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

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT POLICIES (continued)

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

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 City'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 City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for uncollectible court fines and the net pension liability. It is as least reasonably possible that the significant estimate used will change within the next year.

Business Information

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

Changes in Accounting Standards

The Governmental Accounting Standards Board issued GASB 95, Postponement of the Effective Dates of Certain Authoritative Guidance in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, Leases, and Implementation Guide No. 2019-3, Leases, were postponed eighteen months. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 - CASH AND INVESTMENTS

Cash and Investments

Cash - The carrying amount of the City's total deposits with financial institutions at September 30, 2020, was \$6,172,119, and the bank balance was \$6,262,760. 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 is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City

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

The City's investments as of September 30, 2020 are:

Investments:

Certificates of Deposit	\$ 15,770
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CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 3 – CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2020:

Primary Government:

	Balance 10/01/19	Additions	Reclass/ Disposals	Balance 09/30/20
Capital Assets, not being depreciated:				
Land	\$ 5,857,893	\$ -	\$ -	\$ 5,857,893
Construction in Progress	8,000	709,540	(8,000)	709,540
Total Capital Assets, not being depreciated	<u>5,865,893</u>	<u>709,540</u>	<u>(8,000)</u>	<u>6,567,433</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	15,736,513	-	-	15,736,513
Infrastructure	1,738,014	25,000	-	1,763,014
Machinery and Equipment	2,924,755	325,753	(384,469)	2,866,039
Total Capital Assets being depreciated	<u>20,399,282</u>	<u>350,753</u>	<u>(384,469)</u>	<u>20,365,566</u>
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	9,321,042	161,354	-	9,482,396
Infrastructure	565,019	46,966	-	611,985
Machinery and Equipment	2,182,382	144,207	(299,985)	2,026,604
Total Accumulated Depreciation	<u>12,068,443</u>	<u>352,527</u>	<u>(299,985)</u>	<u>12,120,985</u>
Total Capital Assets, depreciated, net				
Governmental Activities	8,330,839	(1,774)	(84,484)	8,244,581
Capital Assets, net	<u>\$ 14,196,732</u>	<u>\$ 707,766</u>	<u>\$ (92,484)</u>	<u>\$ 14,812,014</u>

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 3 – CAPITAL ASSETS (continued)

A summary of business-type capital asset activity at September 30, 2020 follows:

	Balance 10/01/19	Additions	Reclass/ Disposals	Balance 09/30/20
Capital Assets, not being depreciated:				
Land	\$ 146,700	\$ -	\$ -	\$ 146,700
Construction in Progress	-	57,978	-	57,978
Total Capital Assets, not being depreciated	<u>146,700</u>	<u>57,978</u>	<u>-</u>	<u>204,678</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	27,109,481	296,458	-	27,405,939
Machinery and Equipment	2,386,098	144,884	(382,208)	2,148,774
Total Capital Assets being depreciated	<u>29,495,579</u>	<u>441,342</u>	<u>(382,208)</u>	<u>29,554,713</u>
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	9,850,232	645,611	-	10,495,843
Machinery and Equipment	1,759,310	191,076	(295,692)	1,654,694
Total Accumulated Depreciation	<u>11,609,542</u>	<u>836,687</u>	<u>(295,692)</u>	<u>12,150,537</u>
Total Capital Assets, depreciated, net				
Business-type Activities	17,886,037	(395,345)	(86,516)	17,404,176
Capital Assets, net	<u>\$ 18,032,737</u>	<u>\$ (337,367)</u>	<u>\$ (86,516)</u>	<u>\$ 17,608,854</u>

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

Governmental Activities:	
General Government	\$ 113,961
Public Safety	65,643
Public Works	93,826
Culture & Recreation	64,840
Materials Control / Mechanic	<u>14,257</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 352,527</u>
Depreciation expense for Water, Sewer and Gas	<u>\$ 836,687</u>

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 – RECEIVABLES

Receivables at September 30, 2020, consisted primarily of lease receivables, account receivables (billings for user charged services including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

All accounts receivable are shown net of an allowance for uncollectible amounts where applicable. The allowance is based on management estimates and the average age of receivables. An allowance has been recorded in the Governmental Activities for uncollectible court fine receivables in the amount of \$911,605 and in Business-Type activities for uncollectable accounts of \$220,978. The City believes that all other accounts receivables are collectible.

NOTE 5 – CAPITAL LEASES RECEIVABLE

The amount reported as capital leases receivable in the governmental activities is comprised of three leases in which the City has leased three buildings to companies for industrial development. The City purchased a building in 2014, financing it through a note issue. The City then sold the building to a local business using a capital lease with the same terms of the note issued by the City. The City purchased the second building in 2015, financing it through two note issues. The City then sold the building to a local business using a capital lease. The City purchased a building in 2019, financing it through a note issue. The City then sold the building to a local business using a capital lease with the same terms of the note issued by the City.

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 5 – CAPITAL LEASES RECEIVABLE (continued)

A summary of the capital leases receivable are as follows:

	<u>Balance</u> <u>10/01/19</u>	<u>Issued</u>	<u>Reduction</u>	<u>Balance</u> <u>09/30/20</u>	<u>Current</u> <u>Receivable</u>
Capital Lease- with interest of 4.50% maturing in June, 2029	\$ 299,380	\$ -	\$ 24,450	\$ 274,930	\$ 25,625
Capital Lease- with interest of 4.00% maturing in January, 2035	583,098	-	30,632	552,466	31,881
Capital Lease- with interest of 3.75% maturing in June, 2023	<u>336,000</u>	<u>-</u>	<u>79,420</u>	<u>256,580</u>	<u>82,398</u>
Capital Leases	\$ <u>1,218,478</u>	\$ <u>-</u>	\$ <u>134,502</u>	\$ <u>1,083,976</u>	\$ <u>139,904</u>

The future minimum lease payments of the capital leases receivable at September 30, 2020, are as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 139,904	\$ 33,531	\$ 173,435
2022	145,486	31,039	176,525
2023	151,293	28,438	179,731
2024	65,291	25,746	91,037
2025	68,145	22,892	91,037
2026-2030	338,951	68,497	407,448
2031-2035	<u>174,906</u>	<u>15,578</u>	<u>190,484</u>
Total	\$ <u>1,083,976</u>	\$ <u>225,721</u>	\$ <u>1,309,697</u>

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 6 – LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended September 30, 2020:

	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Total</u>
Bonds and Other Long-Term Debt at 10/1/19	\$ -	\$ 4,056,497	\$ 4,056,497
Add: Bonds and Other Long- Term Debt Acquired	-	383,105	383,105
Less: Bonds and Other Long- Term Debt Retired	<u>-</u>	<u>559,296</u>	<u>559,296</u>
Bonds and Other Long-Term Debt at 9/30/20	<u>\$ -</u>	<u>\$ 3,880,306</u>	<u>\$ 3,880,306</u>

Bonds and other long-term debt at September 30, 2020 are comprised of the following issues:

Notes Payable:

\$834,819 Mississippi Development Authority Capital Improvements Revolving Loan (CAP) Series 2009 due in 240 monthly installments of \$4,630 through January 1, 2029; interest at 3.0 percent.	\$ 396,375
\$268,224 Mississippi Department of Environmental Quality Water Pollution Control Revolving Loan (MDEQ) Series 2014 at an interest rate of 4.0 percent due in 116 monthly installments of \$2,792 through March 1, 2023. The loan will be repaid by a monthly allocation of the City's sales tax revenue.	79,578
\$175,000 Three Rivers Planning & Development District Loan Series 2018 due in 120 monthly installments of \$1,649 through January 4, 2028; interest at 2.5 percent.	131,054
\$410,000 Three Rivers Planning & Development District Loan Series 2015 due in 180 monthly installments of \$3,137 through June 1, 2029; interest at 4.5 percent. The City has a lease receivable agreement with Brooks and Dehart Furniture Xpress, Inc. for industrial infrastructure. The lease agreement requires Brooks and Dehart to pay rent monthly in the amount necessary to cover all principal and interest payments, and such rent will continue until note is paid in full.	270,484

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 6 – LONG-TERM DEBT (continued)

\$336,000 Three Rivers Planning & Development District Loan Series 2019 due in 4 annual installments of \$92,020 through June 20, 2023; interest at 3.75 percent. The City has a lease receivable agreement with Maroons, LLC. for industrial infrastructure. The lease agreement requires Maroons, LLC to pay rent monthly in the amount necessary to cover all principal and interest payments, and such rent will continue until note is paid in full. \$ 257,385

\$6,290,000 Mississippi Department of Environmental Quality Water Pollution Control Revolving Loan (MDEQ) Series 2013 at an interest rate of 1.75 percent due in 232 monthly installments of \$27,987 through June 8, 2026. The loan will be repaid by a monthly allocation of the city's sales tax revenue. 1,835,841

\$96,652 Three Rivers Planning & Development District Loan Series 2015 due in 180 monthly installments of \$715 through January 13, 2030; interest at 4.0 percent. 66,327

\$300,000 Three Rivers Planning & Development District Loan Series 2020 due in 120 monthly installments of \$2,897 through June 8, 2030; interest at 3.0 percent. 291,055

\$83,105 Caterpillar Financial Services Lease Purchase Agreement Series 2019 due in annual installments of \$29,825 through September 30, 2022; interest at 3.85 percent. 56,478

\$616,355 Mississippi Development Authority Capital Improvements Revolving Loan (CAP) Series 2015 due in 240 monthly installments of \$3,418 through October 1, 2035; interest at 3.0 percent. 495,729
\$ 3,880,306

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

The Annual requirements to amortize all debt outstanding as of September 30, 2020 including interest payments of \$442,453 are as follows:

Year Ending September 30	Governmental Funds		Proprietary Funds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 254,244	\$ 64,056	\$ 337,044	\$ 32,304	\$ 591,288	\$ 96,360
2022	264,214	54,446	343,703	25,645	607,917	80,091
2023	244,475	45,705	333,618	18,978	578,093	64,683
2024	160,074	37,279	322,653	13,191	482,727	50,470
2025	165,226	32,128	328,345	7,497	493,571	39,625
2026 – 2030	656,514	93,332	250,056	1,827	906,570	95,159
2031 – 2035	179,036	15,406	-	-	179,036	15,406
2036 – 2036	41,104	659	-	-	41,104	659
	<u>\$ 1,964,887</u>	<u>\$ 343,011</u>	<u>\$ 1,915,419</u>	<u>\$ 99,442</u>	<u>\$ 3,880,306</u>	<u>\$ 442,453</u>

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 7 – FUND BALANCE RECONCILIATION – GENERAL FUND BUDGET BASIS

Mississippi state law requires, for budget purposes, that the general fund record revenues on the cash basis. Generally accepted accounting principles (GAAP) would require that the revenues be accounted for on the modified accrual basis; therefore, the required budgetary basis would not be considered to be GAAP. Any accruals of revenues included on the "Combined Statement of Revenues, Expenditures and Changes – General Fund" are eliminated for budget purposes. In the current fiscal year, accrued revenues were \$173,038 more than cash revenues.

NOTE 8 – LITIGATION

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

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, 2020, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2020 was 17.40% 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 City's contributions (employer share only) to PERS for the years ending September 30, 2020, 2019 and 2018 were \$673,966, \$614,130 and \$548,051, 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, 2020, the City reported a liability of \$11,194,248 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2020 net pension liability was 0.057825 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.001039 percent from its proportionate share used to calculate the September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the City of Pontotoc recognized pension expense of \$1,482,851. At September 30, 2020, the City of Pontotoc reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 97,167	\$ -
Net difference between projected and actual earnings on pension plan investments	459,817	-
Changes of assumptions	62,621	-
Changes in the proportion and differences between the City's contributions and proportionate share of contributions	439,598	510,602
City contributions subsequent to the measurement date	<u>179,568</u>	<u>-</u>
Total	<u>\$ 1,238,771</u>	<u>\$ 510,602</u>

\$179,568 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2021. 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	Amount
2021	\$ (19,002)
2022	258,995
2023	160,440
2024	<u>148,168</u>
Total	<u>\$ 548,601</u>

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Assumptions. The total pension liability as of June 30, 2020 was determined by an actuarial valuation prepared as of June 30, 2019, using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75%
Salary increases	3.00 – 18.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

The long-term expected rate of return on pension plan investments was determined using a lognormal 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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00%	4.90%
International Equity	22.00%	4.75%
Global Equity	12.00%	5.00%
Fixed Income	20.00%	0.50%
Real Estate	10.00%	4.00%
Private Equity	8.00%	6.25%
Cash	1.00%	0.00%
Total	100.00%	

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 9 – DEFINED BENEFIT PENSION PLAN- (continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). 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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City'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:

	Discount Rate	City's Proportionate Share of the Net Pension Liability
1% decrease	6.75%	\$14,489,579
Current discount rate	7.75%	\$11,194,248
1% increase	8.75%	\$8,474,276

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

NOTE 10 – RISK MANAGEMENT

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

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

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 10 – RISK MANAGEMENT (continued)

insurance coverage for the current year or the three prior years.

The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2020, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

NOTE 11 – EXPENDITURES OVER APPROPRIATIONS FOR INDIVIDUAL FUNDS

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

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund:			
General Government			
Supplies	\$ 38,500	\$ 44,988	\$ 6,488
Other Services and Charges	192,500	256,567	64,067
Public Safety – Police Department			
Supplies	121,500	142,697	21,197
Municipal Court			
Personnel Services	107,485	122,039	14,554
Other Services and Charges	27,450	28,917	1,467
Public Safety – Fire Department			
Other Services and Charges	42,100	49,626	7,526
Public Works			
Personnel Services	274,556	333,023	58,467

NOTE 12 – COMMITMENTS

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

NOTE 13 – 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 has evaluated the activity of the City through October 28, 2021, (the date the financial statements were available to be issued), and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*
PERS

For the year ended September 30, 2020
UNAUDITED

	2020	2019	2018	2017	2016	2015
A. Pontotoc's proportion of the net pension liability (%)	0.057825%	0.056786%	0.052962%	0.052561%	0.049965%	0.048000%
B. Pontotoc's proportionate share of the net pension liability	\$ 11,194,248	\$ 9,989,778	\$ 8,809,154	\$ 8,737,422	\$ 8,924,997	\$ 7,426,346
C. Pontotoc's covered employee payroll	\$ 3,850,431	\$ 3,698,343	\$ 3,382,121	\$ 3,371,816	\$ 3,196,381	\$ 3,001,410
D. Pontotoc's proportionate share of the net pension liability as a percentage of its covered employee payroll (%)	290.73%	270.11%	260.46%	259.13%	279.22%	247.43%
E. Plan fiduciary net position as a percentage of the total pension liability	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

* The amounts presented for each fiscal year were determined as of the twelve months ended at 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 City 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.

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
LAST 10 FISCAL YEARS*

PERS
For the year ended September 30, 2020
UNAUDITED

	2020	2019	2018	2017	2016	2015	2014
A. Contractually required contributions	\$ 673,966	\$ 614,130	\$ 548,051	\$ 514,519	\$ 512,945	\$ 474,871	\$ 454,556
B. Contributions in relation to contractually required contributions	\$ 673,966	\$ 614,130	\$ 548,051	\$ 514,519	\$ 512,945	\$ 474,871	\$ 454,556
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Pontotoc's covered employee payroll	\$ 3,873,370	\$ 3,793,726	\$ 3,479,693	\$ 3,266,767	\$ 3,256,793	\$ 3,015,034	\$ 2,886,063
E. Contributions as a percentage of covered employee payroll	17.40%	16.19% **	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 City has only presented information for the years in which information is available.

** Until July 1, 2019, contributions were 15.75%. Subsequent to July 1, 2019 contributions were 17.40%.

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2020

PENSION SCHEDULES

(1) Changes in benefit provisions

a. 2016

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

(2) Changes in assumptions

a. 2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

b. 2017

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disable lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

c. 2016

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2020

PENSION SCHEDULES (continued)

d. 2015

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

- (3) ***Method and assumptions used in calculations of actuarially determined contributions.*** The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). 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	30.9 years
• Asset valuation method	5-year smoothed market
• Price Inflation	3.00 percent
• Salary increase	3.25 percent to 18.50 percent, including inflation
• Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

- (4) The comparative information presented on the Schedule of the City's Contributions does not include information for years prior to 2014 because GASB 68 was implemented in the 2015 fiscal year. Information for the 2014 year was included because it was necessary to record the prior period adjustment in the implementation of GASB 68.

COMBINING AND NON-MAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF PONTOTOC, MISSISSIPPI
BALANCE SHEET - GENERAL FUND
September 30, 2020**

ASSETS:

Cash on Deposit - Unrestricted	\$ 1,109,034
Cash on Deposit - Restricted	5,501
Money Market, CD's - Unrestricted	15,770
Accounts Receivable	60,028
Due from Other Governments	390,179
Prepaid Insurance	<u>24,688</u>
 TOTAL ASSETS	 \$ <u><u>1,605,200</u></u>

LIABILITIES AND FUND BALANCE:

LIABILITIES

Accounts Payable & Accrued Expenses	\$ 528,917
Due to Other Governments	<u>187,225</u>
TOTAL LIABILITIES	<u><u>716,142</u></u>

FUND BALANCE

Nonspendable:	
Prepaid Items	24,688
Unemployment Trust	15,770
Restricted:	
Drug Seizure Funds	5,501
Unassigned	<u>843,099</u>
TOTAL FUND BALANCE	<u><u>889,058</u></u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u><u>1,605,200</u></u>

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2020

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Privilege Licenses and Fees	\$ 25,000	\$ 25,648	\$ 648
Road Maintenance	260,000	234,516	(25,484)
Sales Tax	2,750,000	2,760,073	10,073
Gasoline Taxes	10,000	8,041	(1,959)
Fire Protection	35,000	33,935	(1,065)
Court Fines and Fees	376,391	272,817	(103,574)
In Lieu of Taxes	280,000	241,829	(38,171)
School Tax Collection Fees	150,000	138,215	(11,785)
Lease Rentals	222,020	216,503	(5,517)
Building Permits and Fees	20,000	22,953	2,953
Miscellaneous Revenues	183,000	97,797	(85,203)
Donations	-	-	-
Cable Franchise Fees	39,500	35,814	(3,686)
Interest Income	75,000	65,950	(9,050)
Penalties and Interest	43,000	28,984	(14,016)
Park and Recreation	241,250	230,753	(10,497)
Grant Income - Police	-	-	-
Grant Income - Small Municipal	-	-	-
County Fire Rebate	8,000	10,000	2,000
Grant Income - Other	354,675	795,411	440,736
TOTAL REVENUES	<u>5,072,836</u>	<u>5,219,239</u>	<u>146,403</u>
EXPENDITURES:			
General Government			
Personnel Services	349,101	310,504	38,597
Supplies	38,500	44,988	(6,488)
Other Services and Charges	192,500	256,567	(64,067)
Capital Outlay	50,342	-	50,342
TOTAL	<u>630,443</u>	<u>612,059</u>	<u>18,384</u>
Public Safety			
Personnel Services	2,450,746	2,445,764	4,982
Supplies	159,200	178,450	(19,250)
Other Services and Charges	207,116	198,385	8,731
Capital Outlay	31,000	57,155	(26,155)
TOTAL	<u>2,848,062</u>	<u>2,879,754</u>	<u>(31,692)</u>
Public Works			
Personnel Services	274,556	333,023	(58,467)
Supplies	472,500	227,836	244,664
Other Services and Charges	215,050	207,445	7,605
Capital Outlay	148,000	871,642	(723,642)
TOTAL	<u>1,110,106</u>	<u>1,639,946</u>	<u>(529,840)</u>

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND - Continued
For the Year Ended September 30, 2020

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Culture and Recreation			
Personnel Services	\$ 328,320	\$ 282,270	\$ 46,050
Supplies	134,000	131,681	2,319
Professional Services	111,500	89,750	21,750
Capital Outlay	26,000	-	26,000
TOTAL	<u>599,820</u>	<u>503,701</u>	<u>96,119</u>
Urban and Economic Development			
Capital Outlay	336,503	336,503	-
TOTAL	<u>336,503</u>	<u>336,503</u>	<u>-</u>
Building Inspection			
Personnel Services	76,423	74,595	1,828
Supplies	4,600	1,937	2,663
Other Services and Charges	5,550	2,375	3,175
Capital Outlay	1,000	75	925
TOTAL	<u>87,573</u>	<u>78,982</u>	<u>8,591</u>
Materials Control and Mechanic			
Personnel Services	152,107	148,614	3,493
Supplies	9,200	8,752	448
Other Services and Charges	9,200	6,738	2,462
Capital Outlay	10,000	-	10,000
TOTAL	<u>180,507</u>	<u>164,104</u>	<u>16,403</u>
Debt Service			
Principal	158,968	228,768	(69,800)
Interest	70,152	70,152	-
TOTAL	<u>229,120</u>	<u>298,920</u>	<u>(69,800)</u>
TOTAL EXPENDITURES	<u>6,022,134</u>	<u>6,513,969</u>	<u>(491,835)</u>
EXCESS (DEFICIT) REVENUES OVER (UNDER) EXPENDITURES	<u>(949,298)</u>	<u>(1,294,730)</u>	<u>(345,432)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Debt Issuance	300,000	383,105	83,105
Sale of Capital Assets	-	24,680	24,680
Operating Transfers In	882,645	-	(882,645)
Operating Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,182,645</u>	<u>407,785</u>	<u>(774,860)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	233,347	(886,945)	(1,120,292)
Fund Balances at October 1, 2019	1,602,965	1,602,965	-
Fund Balances at September 30, 2020	<u>\$ 1,836,312</u>	<u>\$ 716,020</u>	<u>\$ (1,120,292)</u>
Adjustments To GAAP Basis:			
Add: Accrued Revenue		173,038	
Fund Balance GAAP September 30, 2020		<u>\$ 889,058</u>	

CITY OF PONTOTOC, MISSISSIPPI
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	Non-Major Special Revenue	Total Non-Major Governmental Funds
	<u>Revenue</u>	<u>Funds</u>
<u>ASSETS:</u>		
Cash on Deposit - Unrestricted	-	-
Cash on Deposit - Restricted	\$ 335,280	\$ 335,280
Due From Other Governments	<u>49,112</u>	<u>49,112</u>
 TOTAL ASSETS	 \$ <u>384,392</u>	 \$ <u>384,392</u>
 <u>LIABILITIES AND FUND BALANCES:</u>		
<u>LIABILITIES:</u>		
Accounts Payable	\$ -	\$ -
Due to Other Funds	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
 <u>FUND BALANCES:</u>		
Restricted		
Tourism	<u>384,392</u>	<u>384,392</u>
TOTAL FUND BALANCES	<u>384,392</u>	<u>384,392</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>384,392</u>	 \$ <u>384,392</u>

CITY OF PONTOTOC, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - ALL NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	Non-Major Special Revenue		Totals	
	BUDGET	ACTUAL	BUDGET	ACTUAL
	VARIANCE FAVORABLE (UNFAVORABLE)		VARIANCE FAVORABLE (UNFAVORABLE)	
REVENUES:				
Tourism Taxes	\$ 460,000	\$ 489,808	\$ 29,808	\$ 489,808
Fire Protection	-	-	-	-
Lease Rental	-	-	-	-
RIF Grant	-	-	-	-
Interest Income	-	-	-	-
Miscellaneous Revenue	-	-	-	-
Donations	-	-	-	-
TOTAL REVENUES	460,000	489,808	29,808	489,808
EXPENDITURES:				
Capital Outlay	29,605	29,605	-	29,605
Culture and Recreation	397,395	170,965	226,430	170,965
Debt Service	-	-	-	-
TOTAL	427,000	200,570	226,430	200,570
TOTAL EXPENDITURES	427,000	200,570	226,430	200,570
EXCESS (DEFICIT) REVENUES OVER (UNDER)	33,000	289,238	256,238	289,238
OTHER FINANCING SOURCES (USES):				
Transfers to Other Funds	-	-	-	-
Transfer from Other Funds	-	-	-	-
Proceeds from Issuance of Debt	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balances	33,000	289,238	256,238	289,238
Fund Balances at October 1, 2019	87,598	87,598	-	87,598
Fund Balances at September 30, 2020	\$ 120,598	\$ 376,836	\$ 256,238	\$ 376,836
Adjustments to GAAP Basis:				
Add: Accrued Revenue		7,556		7,556
Fund Balance GAAP September 30, 2020	\$ 384,392	\$ 384,392	\$ 384,392	\$ 384,392

OTHER SUPPLEMENTARY INFORMATION

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2020

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

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Year Ended September 30, 2020

	BALANCE OUTSTANDING October 1, 2019	TRANSACTIONS DURING FISCAL YEAR ISSUED	REDEEMED	BALANCE OUTSTANDING September 30, 2020
<u>Other Long Term Debt</u>				
MDEQ Water Pollution Rev. Loan	\$ 2,136,697	\$ -	\$ 300,856	\$ 1,835,841
MDA Capital Improvements Loan	439,067	-	42,692	396,375
MDEQ Water Pollution Emergency Loan	109,250	-	29,672	79,578
Note Payable to Three Rivers Planning and Development District	295,032	-	24,548	270,484
MDA CAP Loan	521,124	-	25,395	495,729
Note Payable to Three Rivers Planning and Development District	147,268	-	16,214	131,054
Note Payable to Three Rivers Planning and Development District	72,059	-	5,732	66,327
Note Payable to Three Rivers Planning and Development District	336,000	-	78,615	257,385
Note Payable to Three Rivers Planning and Development District	-	300,000	8,945	291,055
Lease Payable to Caterpillar Financial Services	-	83,105	26,627	56,478
TOTAL	\$ 4,056,497	\$ 383,105	\$ 559,296	\$ 3,880,306

OTHER REPORTS

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

Honorable Mayor and Board of Aldermen
City of Pontotoc, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pontotoc, Mississippi, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Pontotoc, Mississippi's basic financial statements and have issued our report thereon dated October 28, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as finding 1, 3 and 4 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses as finding 2 and 5 to be significant deficiencies.

Compliance and Other Matters

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

City of Pontotoc, Mississippi's Response to Findings

City of Pontotoc, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Pontotoc, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
October 28, 2021

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Alderman
City of Pontotoc, Mississippi

We have audited the financial statements of the City of Pontotoc, Mississippi, as of and for the year ended September 30, 2020, and have issued our report thereon dated October 28, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*.

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

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

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

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
October 28, 2021

**CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2020**

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 1 (material weakness)

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

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

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

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

FINDING NO. 2 (significant deficiency, noncompliance)

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

Cause of Condition: The City had budget overages in seven expenditure categories for the year ended September 30, 2020.

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

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

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2020

FINDING NO. 3 (material weakness)

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

Cause of Condition: The City lacked proper controls to identify and detect potential financial statement misstatements. The City had numerous misstatements in the general ledger including erroneous expense account classifications, beginning balance errors, errors in recording capital asset transactions, errors in classifying cash and expenses to the proper funds, errors in posting accruals and errors in utility receivables.

Recommendation: The City should implement proper control procedures to ensure that the general ledger is maintained in accordance with generally accepted accounting principles. Accounts should be reconciled on a timely basis and a system should be in place to identify misstatements as they occur.

Response: The City will take steps necessary to evaluate internal controls over the general ledger function and make corrections as necessary.

FINDING NO. 4 (material weakness)

Criteria: The City is to maintain adequate internal controls to ensure accurate reconciliation of cash accounts on a timely basis.

Cause of Condition: The City lacked proper controls to identify and detect that cash accounts were not being properly reconciled. During our audit, we noted that the bank reconciliations did not contain all of the transactions required for proper reconciliation. We also noted that cash balances were not properly reflected between funds.

Recommendation: The City should implement proper control procedures to ensure that all cash accounts of the City are properly reconciled in a timely manner and that any errors are discovered and corrected. The City should also monitor the reporting of cash balances between funds to ensure proper financial reporting.

Response: The City will take steps necessary to evaluate internal controls over the cash reconciliation function and make corrections as necessary.

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2020

FINDING NO. 5 (significant deficiency)

Criteria: The City is to maintain adequate internal controls to ensure accurate reconciliation of cash accounts on a timely basis.

Cause of Condition: The City implemented a new general ledger software system during the year that does not permit the reconciliation of cash accounts within the software system. This lack of utility requires the City to perform manual reconciliations and entries outside of the general ledger function. This deficiency makes it likely that accounts are not properly reconciled and stated in the general ledger.

Recommendation: The City should work with the software vendor to develop a system for reconciliation within the general ledger function.

Response: The City will take steps necessary to evaluate the cash reconciliation function and make corrections as necessary.

**Findings 1 and 2 were findings in the prior year.*

**Findings 1, 3 and 4 are material weaknesses.*

**Findings 2 and 5 are significant deficiencies.*

**Findings 2 is a noncompliance finding.*