

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

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

FINANCIAL STATEMENTS
CITY OF PONTOTOC, MISSISSIPPI
Year Ended September 30, 2021

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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, 2021, 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, 2021, 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 49 through 50 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 27, 2022, 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 27, 2022

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Year Ended September 30, 2021

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, 2021. Please read it in conjunction with the City of Pontotoc financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$29,226,838. 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 \$27,073,574 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 \$2,352,087, an increase of \$1,078,637 in comparison to the prior year. Approximately 39 percent of the combined fund balances, \$912,865 is considered unassigned and is available for spending at the City of Pontotoc's discretion.
- The City of Pontotoc's total debt is \$3,209,523. Debt in the amount of \$670,783 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

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

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Statements

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

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

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

Fund Financial Statements

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

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

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pontotoc has two types of funds:

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

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The City of Pontotoc's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by \$29,226,838 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	
	Restated		Restated		Restated	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and Other Assets	\$ 4,070,769	\$ 3,658,671	\$ 6,757,468	\$ 6,623,389	\$ 10,828,237	\$ 10,282,060
Capital Assets	14,878,662	14,197,886	17,852,867	17,679,065	32,731,529	31,876,951
Total Assets	18,949,431	17,856,557	24,610,335	24,302,454	43,559,766	42,159,011
Deferred Outflows	816,408	764,365	507,422	474,406	1,323,830	1,238,771
Total Deferred Outflows	816,408	764,365	507,422	474,406	1,323,830	1,238,771
Current and Other Liabilities	351,405	970,386	600,432	359,954	951,837	1,330,340
Long-Term Liabilities	7,026,960	8,617,884	4,699,406	5,865,382	11,726,366	14,483,266
Total Liabilities	7,378,365	9,588,270	5,299,838	6,225,336	12,678,203	15,813,606
Deferred Inflows	1,836,881	315,059	1,141,674	195,543	2,978,555	510,602
Total Deferred Inflows	1,836,881	315,059	1,141,674	195,543	2,978,555	510,602
Net Position:						
Net Investment in						
Capital Assets	13,247,514	12,232,999	16,274,492	15,763,646	29,522,006	27,996,645
Restricted	1,359,536	389,893	-	-	1,359,536	389,893
Unrestricted (Deficit)	(4,056,457)	(3,905,299)	2,401,753	2,592,335	(1,654,704)	(1,312,964)
Total Net Position	\$ 10,550,593	\$ 8,717,593	\$ 18,676,245	\$ 18,355,981	\$ 29,226,838	\$ 27,073,574

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 \$2,401,753 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 24.84 percent of the City of Pontotoc's revenue comes from sales and tourism taxes, with 28.62 percent of all revenue coming from some type of tax. (See Table A-2.) Another 60.67 percent comes from fees charged for services, 9.12 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>2021</u>	<u>Restated 2020</u>	<u>2021</u>	<u>Restated 2020</u>	<u>2021</u>	<u>Restated 2020</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 732,434	\$ 711,432	\$ 9,310,577	\$ 8,204,952	\$ 10,043,011	\$ 8,916,384
Operating Grants & Contributions	-	336,503	-	-	-	336,503
Capital Grants & Contributions	1,221,845	458,908	287,158	483,140	1,509,003	942,048
General Revenues:						
Sales Taxes	4,110,820	3,425,414	-	-	4,110,820	3,425,414
Other Taxes	626,246	555,859	-	-	626,246	555,859
Intergovernmental Revenues	-	43,935	-	-	-	43,935
Investment Income	82,001	114,504	1,020	1,932	83,021	116,436
Other	<u>178,111</u>	<u>80,358</u>	<u>1,998</u>	<u>31,265</u>	<u>180,109</u>	<u>111,623</u>
Total Revenues	6,951,457	5,726,913	9,600,753	8,721,289	16,552,210	14,448,202
Expenses						
General Government	574,047	829,263	-	-	574,047	829,263
Public Safety	3,200,035	3,196,351	-	-	3,200,035	3,196,351
Public Works	851,297	926,545	-	-	851,297	926,545
Culture & Recreation	831,671	738,774	-	-	831,671	738,774
Urban & Economic Development	-	336,503	-	-	-	336,503
Building Inspection	87,054	91,010	-	-	87,054	91,010
Materials Control / Mechanic	175,742	154,619	-	-	175,742	154,619
Water, Sewer & Gas System	-	-	8,585,767	7,567,297	8,585,767	7,567,297
Interest on Long Term Debt	<u>61,033</u>	<u>70,152</u>	<u>32,300</u>	<u>38,816</u>	<u>93,333</u>	<u>108,968</u>
Total Expenses	<u>5,780,879</u>	<u>6,343,217</u>	<u>8,618,067</u>	<u>7,606,113</u>	<u>14,398,946</u>	<u>13,949,330</u>
Excess of Revenue Over Expenses	1,170,578	(616,304)	982,686	1,115,176	2,153,264	498,872
Transfers	<u>662,422</u>	<u>-</u>	<u>(662,422)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	1,833,000	(616,304)	320,264	1,115,176	2,153,264	498,872
Net Position—Beginning, as restated	<u>8,717,593</u>	<u>9,333,897</u>	<u>18,355,981</u>	<u>17,240,805</u>	<u>27,073,574</u>	<u>26,574,702</u>
Net Position—Ending	<u>\$ 10,550,593</u>	<u>\$ 8,717,593</u>	<u>\$ 18,676,245</u>	<u>\$ 18,355,981</u>	<u>\$ 29,226,838</u>	<u>\$ 27,073,574</u>

Governmental Activities

Governmental activities increased the City's net position by \$1,833,000, thereby accounting for 85 percent of the increase in the City's net position. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales taxes (59 percent) and charges for services (11 percent).

The largest expense category for the City's governmental activities is public safety (55 percent).

CITY OF PONTOTOC, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type Activities

Business-type activities increased the City's net position by \$320,264, thereby accounting for 15 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 \$9,310,577 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 \$912,865, which comprised 91 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 16 percent of total fund expenditures. The fund balance of the City's general fund increased by \$117,240 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 \$1,345,789, 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 \$18,676,245.

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 2020-2021 general fund operating budget did not change during the current fiscal year.

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, 2021, amounted to \$32,731,529, net of accumulated depreciation of \$23,393,922. 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		Business-Type		Total	
	Activities		Activities			
	<u>2021</u>	<u>Restated 2020</u>	<u>2021</u>	<u>Restated 2020</u>	<u>2021</u>	<u>Restated 2020</u>
Land	\$ 5,857,893	\$ 5,857,893	\$ 146,700	\$ 146,700	\$ 6,004,593	\$ 6,004,593
Construction in Progress	-	709,540	-	57,978	-	767,518
Plants, Buildings & Improvements	13,098,808	13,065,713	28,370,751	27,405,939	41,469,559	40,471,652
Infrastructure	3,394,947	1,763,014	-	-	3,394,947	1,763,014
Machinery & Equipment	2,848,543	2,765,782	2,324,704	2,300,556	5,173,247	5,066,338
Leased Property Under Capital Leases	83,105	83,105	-	-	83,105	83,105
Accumulated Depreciation	(10,404,634)	(10,047,161)	(12,989,288)	(12,232,108)	(23,393,922)	(22,279,269)
Total	<u>\$ 14,878,662</u>	<u>\$ 14,197,886</u>	<u>\$ 17,852,867</u>	<u>\$ 17,679,065</u>	<u>\$ 32,731,529</u>	<u>\$ 31,876,951</u>

Long-term Debt—At year-end, the city had \$3,209,523 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		Business-Type		Total	
	Activities		Activities			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Notes Payable	\$ 1,602,322	\$ 1,908,409	\$ 1,578,375	\$ 1,915,419	\$ 3,180,697	\$ 3,823,828
Capital Leases	28,826	56,478	-	-	28,826	56,478
Total	<u>\$ 1,631,148</u>	<u>\$ 1,964,887</u>	<u>\$ 1,578,375</u>	<u>\$ 1,915,419</u>	<u>\$ 3,209,523</u>	<u>\$ 3,880,306</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 2022 budget. The total budgeted appropriations for the City operations are \$5,971,338. This is an increase from the prior year budget. The increase is primarily related to increases 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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash on Deposit - Unrestricted	\$ 727,142	\$ 4,593,144	\$ 5,320,286
Cash on Deposit - Restricted	1,318,455	-	1,318,455
Money Market, CD's - Unrestricted	15,770	-	15,770
Accounts Receivable, Net	44,542	1,163,992	1,208,534
Inventory	-	934,089	934,089
Prepaid Expenses	63,916	66,243	130,159
Court Fines Receivable, Net	601,931	-	601,931
Due From Other Governments	354,941	-	354,941
Lease Payments Receivables, Current Portion	145,486	-	145,486
Lease Payments Receivables, Noncurrent Portion	798,586	-	798,586
Capital Assets:			
Land	5,857,893	146,700	6,004,593
Plant, Buildings and Improvements	13,098,808	28,370,751	41,469,559
Infrastructure	3,394,947	-	3,394,947
Machinery and Equipment	2,848,543	2,324,704	5,173,247
Leased Property Under Capital Leases	83,105	-	83,105
Accumulated Depreciation	(10,404,634)	(12,989,288)	(23,393,922)
TOTAL ASSETS	\$ 18,949,431	\$ 24,610,335	\$ 43,559,766
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows - Pensions	816,408	507,422	1,323,830
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 816,408	\$ 507,422	\$ 1,323,830

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

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 93,204	\$ 256,729	\$ 349,933
Due to Other Governments	79,475	-	79,475
Long-term Liabilities, Due Within One Year			
Notes Payable	149,900	343,703	493,603
Capital Leases	28,826	-	28,826
Long-term Liabilities, Due In More Than One Year			
Notes Payable	1,452,422	1,234,672	2,687,094
Net Pension Liability	5,574,538	3,464,734	9,039,272
TOTAL LIABILITIES	\$ 7,378,365	\$ 5,299,838	\$ 12,678,203
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows - Pensions	1,836,881	1,141,674	2,978,555
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 1,836,881	\$ 1,141,674	\$ 2,978,555
<u>NET POSITION:</u>			
Net Investment in Capital Assets	13,247,514	16,274,492	29,522,006
Restricted for:			
Drug Seizure Funds	13,747	-	13,747
Infrastructure - ARPA	759,007	-	759,007
Tourism	586,782	-	586,782
Unrestricted (Deficit)	(4,056,457)	2,401,753	(1,654,704)
TOTAL NET POSITION	\$ 10,550,593	\$ 18,676,245	\$ 29,226,838

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

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	PRIMARY GOVERNMENT	
						Governmental Activities	Business-Type Activities
PRIMARY GOVERNMENT							
Governmental Activities:							
General Government	\$ 574,047	\$ 175,242	\$ -	\$ -	\$ 175,242	\$ (398,805)	\$ -
Public Safety	3,200,035	289,877	-	1,221,845	1,511,722	(1,688,313)	-
Public Works	851,297	-	-	-	-	(851,297)	-
Culture and Recreation	831,671	267,315	-	-	267,315	(564,356)	-
Materials Control / Mechanic	175,742	-	-	-	-	(175,742)	-
Building Inspection	87,054	-	-	-	-	(87,054)	-
Interest on Long-Term Debt	61,033	-	-	-	-	(61,033)	-
TOTAL GOVERNMENTAL ACTIVITIES	5,780,879	732,434	-	1,221,845	1,954,279	(3,826,600)	-
Business-Type Activities:							
Water/Sewer Utility Fund	2,540,160	2,957,720	-	12,782	2,970,502	-	430,342
Gas Utility Fund	6,077,907	6,352,857	-	274,376	6,627,233	-	549,326
TOTAL BUSINESS-TYPE ACTIVITIES	8,618,067	9,310,577	-	287,158	9,597,735	-	979,668
TOTAL PRIMARY GOVERNMENT	14,398,946	10,043,011	-	1,509,003	11,552,014	(3,826,600)	979,668
						\$ (2,846,932)	
GENERAL REVENUES:							
Taxes:							
Sales, Tourism and Use Taxes					\$ 4,110,820	\$ -	\$ 4,110,820
County Pro Rata Taxes					244,550	-	244,550
Licenses and Permits					95,273	-	95,273
In Lieu Taxes					278,382	-	278,382
Gasoline Taxes					8,041	-	8,041
Investment Earnings					82,001	1,020	83,021
Gain (Loss) on Asset Disposal					(9,050)	(386)	(9,436)
Miscellaneous					187,161	2,384	189,545
Transfers					662,422	(662,422)	-
TOTAL GENERAL REVENUES AND TRANSFERS					5,659,600	(659,404)	5,000,196
CHANGE IN NET POSITION					1,833,000	320,264	2,153,264
NET POSITION--BEGINNING, as previously reported					9,331,721	18,285,770	27,617,491
PRIOR PERIOD ADJUSTMENT					(614,128)	70,211	(543,917)
NET POSITION--BEGINNING, as restated					8,717,593	18,355,981	27,073,574
NET POSITION--ENDING					\$ 10,550,593	\$ 18,676,245	\$ 29,226,838

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

CITY OF PONTOTOC, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>			
Cash on Deposit - Unrestricted	\$ 727,142	\$ -	\$ 727,142
Cash on Deposit - Restricted	13,747	1,304,708	1,318,455
Money Market, CD's - Unrestricted	15,770	-	15,770
Accounts Receivable	44,542	-	44,542
Due From Other Governments	313,860	41,081	354,941
Prepaid Insurance	63,916	-	63,916
TOTAL ASSETS	\$ 1,178,977	\$ 1,345,789	\$ 2,524,766
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>LIABILITIES:</u>			
Accounts Payable and Accrued Expenses	\$ 93,204	\$ -	\$ 93,204
Due to Other Governments	79,475	-	79,475
TOTAL LIABILITIES	172,679	-	172,679
<u>FUND BALANCES:</u>			
Nonspendable:			
Prepaid Items	63,916	-	63,916
Unemployment Trust	15,770	-	15,770
Restricted:			
Drug Seizure Funds	13,747	-	13,747
Infrastructure - ARPA		759,007	759,007
Tourism		586,782	586,782
Assigned	-	-	-
Unassigned	912,865	-	912,865
TOTAL FUND BALANCES	1,006,298	1,345,789	2,352,087
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,178,977	\$ 1,345,789	\$ 2,524,766

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, 2021

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,352,087

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. 14,878,662

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. 944,072

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. (1,631,148)

The net pension liability is not due and payable in the current period, and, therefore, is not reported in the Governmental Funds Balance Sheet (5,574,538)

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 816,408

Deferred inflows of resources related to pensions (1,836,881)

Accrual of court fine revenues to qualify as financial resources. 601,931

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 10,550,593

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, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Sales, Tourism and Use Taxes	\$ 3,574,853	\$ 535,967	\$ 4,110,820
Licenses and Permits	95,273	-	95,273
In Lieu of Taxes	278,382	-	278,382
Penalties and Interest	30,279	-	30,279
Park and Recreation Fees	267,315	-	267,315
Intergovernmental Revenues	8,041	-	8,041
County Pro Rata Taxes	244,550	-	244,550
School Tax Collection Fees	152,645	-	152,645
Lease Rentals	205,653	-	205,653
Fines and Forfeits	273,049	-	273,049
Interest Income	38,151	698	38,849
Grant Income	463,536	758,309	1,221,845
Donations	46,270	-	46,270
Miscellaneous Revenues	110,612	-	110,612
TOTAL REVENUES	5,788,609	1,294,974	7,083,583
EXPENDITURES:			
Current:			
General Government	434,943	-	434,943
Public Safety	3,068,385	-	3,068,385
Public Works	1,664,742	-	1,664,742
Culture and Recreation	522,061	333,577	855,638
Materials Control and Mechanic	165,044	-	165,044
Building Inspection	83,844	-	83,844
Debt Service	394,772	-	394,772
TOTAL EXPENDITURES	6,333,791	333,577	6,667,368
EXCESS OF REVENUES			
OVER (UNDER) EXPENDITURES	(545,182)	961,397	416,215
OTHER FINANCING SOURCES (USES):			
Transfers (to) from Other Funds	662,422	-	662,422
TOTAL OTHER FINANCING			
SOURCES (USES)	662,422	-	662,422
NET CHANGE IN FUND BALANCES	117,240	961,397	1,078,637
FUND BALANCES - Beginning	889,058	384,392	1,273,450
FUND BALANCES - Ending	\$ 1,006,298	\$ 1,345,789	\$ 2,352,087

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, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	1,078,637
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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.		1,128,648
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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.		(438,822)
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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.		(9,050)
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Payments received related to lease receivable reported as revenue on the Governmental Funds financial statements as received.		(139,904)
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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.		16,828
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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.		(137,076)
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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 repayments.		333,739
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	1,833,000
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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, 2021

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
Sales and Use Taxes	\$ 2,750,000	\$ 2,750,000	\$ 3,657,356	\$ 907,356
Licenses and Permits	90,000	90,000	95,273	5,273
In Lieu of Taxes	270,000	270,000	276,235	6,235
Penalties and Interest	43,000	43,000	30,279	(12,721)
Park and Recreation Fees	448,050	448,050	267,315	(180,735)
Intergovernmental Revenues	53,000	53,000	8,041	(44,959)
County Pro Rata Taxes	240,000	240,000	238,366	(1,634)
Charges for Services	150,000	150,000	152,645	2,645
Rentals	222,020	222,020	205,653	(16,367)
Fines and Forfeits	418,120	418,120	273,049	(145,071)
Interest Income	48,000	48,000	38,151	(9,849)
Grant Income	-	-	463,536	463,536
Donations	-	-	46,270	46,270
Miscellaneous Revenues	188,500	188,500	128,245	(60,255)
TOTAL REVENUES	4,920,690	4,920,690	5,880,414	959,724
EXPENDITURES:				
Current:				
General Government	620,575	620,575	434,943	185,632
Public Safety	2,991,676	2,991,676	3,068,385	(76,709)
Public Works	1,036,865	1,036,865	1,664,742	(627,877)
Culture and Recreation	605,123	605,123	522,061	83,062
Materials Control and Mechanic	179,623	179,623	165,044	14,579
Building Inspection	88,556	88,556	83,844	4,712
Debt Service	236,121	236,121	394,772	(158,651)
TOTAL EXPENDITURES	5,758,539	5,758,539	6,333,791	(575,252)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(837,849)	(837,849)	(453,377)	384,472
OTHER FINANCING SOURCES (USES):				
Transfers (to) from Other Funds	662,423	662,423	662,422	(1)
TOTAL OTHER FINANCING SOURCES (USES)	662,423	662,423	662,422	(1)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ (175,426)	\$ (175,426)	\$ 209,045	\$ 384,471

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

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

	Water/Sewer Utility Fund	Gas Utility Fund	Total
<u>ASSETS:</u>			
<u>Current Assets</u>			
Cash on Deposit - Unrestricted	\$ 2,794,834	\$ 1,798,310	\$ 4,593,144
Accounts Receivable, Net of Provision for Bad Debts	593,444	570,548	1,163,992
Prepaid Expenses	42,585	23,658	66,243
Inventory	92,470	841,619	934,089
Total Current Assets	<u>3,523,333</u>	<u>3,234,135</u>	<u>6,757,468</u>
<u>Fixed Assets</u>			
Distributions Systems	12,012,797	15,816,044	27,828,841
Buildings	50,940	490,970	541,910
Equipment	1,059,964	1,264,740	2,324,704
Land	136,200	10,500	146,700
Less: Accumulated Depreciation	<u>(5,169,375)</u>	<u>(7,819,913)</u>	<u>(12,989,288)</u>
Net Fixed Assets	<u>8,090,526</u>	<u>9,762,341</u>	<u>17,852,867</u>
 TOTAL ASSETS	 <u>\$ 11,613,859</u>	 <u>\$ 12,996,476</u>	 <u>\$ 24,610,335</u>
<u>Deferred Outflows of Resources</u>			
Deferred Outflows - Pensions	234,061	273,361	507,422
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 234,061</u>	<u>\$ 273,361</u>	<u>\$ 507,422</u>
<u>LIABILITIES AND NET POSITION:</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 14,100	\$ 237,480	\$ 251,580
Interest Payable	5,149	-	5,149
Notes and Bonds Payable - Due Within One Year	343,703	-	343,703
Total Current Liabilities	<u>362,952</u>	<u>237,480</u>	<u>600,432</u>
<u>Noncurrent Liabilities</u>			
Notes and Bonds Payable, Due in More Than one Year	1,234,672	-	1,234,672
Net Pension Liability	1,598,194	1,866,540	3,464,734
Total Noncurrent Liabilities	<u>2,832,866</u>	<u>1,866,540</u>	<u>4,699,406</u>
 TOTAL LIABILITIES	 <u>3,195,818</u>	 <u>2,104,020</u>	 <u>5,299,838</u>
<u>Deferred Inflows of Resources</u>			
Deferred Inflows - Pensions	526,625	615,049	1,141,674
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>526,625</u>	<u>615,049</u>	<u>1,141,674</u>
<u>Net Position</u>			
Net Investment in Capital Assets	6,512,151	9,762,341	16,274,492
Unrestricted	1,613,326	788,427	2,401,753
Total Net Position	<u>8,125,477</u>	<u>10,550,768</u>	<u>18,676,245</u>
 TOTAL NET POSITION	 <u>\$ 8,125,477</u>	 <u>\$ 10,550,768</u>	 <u>\$ 18,676,245</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, 2021

	Water/Sewer Utility Fund	Gas Utility Fund	Total
OPERATING REVENUES:			
Charges for Services	\$ 2,909,289	\$ 6,287,005	\$ 9,196,294
Service Charges and Penalties	48,431	65,852	114,283
Other Receipts	2,384	-	2,384
	<u>2,960,104</u>	<u>6,352,857</u>	<u>9,312,961</u>
Total Operating Revenues	2,960,104	6,352,857	9,312,961
Less: Gas Purchased	-	3,451,554	3,451,554
	<u>2,960,104</u>	<u>2,901,303</u>	<u>5,861,407</u>
Net Income Before Operating Expenses	2,960,104	2,901,303	5,861,407
OPERATING EXPENSES:			
Personnel Services	1,060,596	1,229,221	2,289,817
Contractual Services	226,307	-	226,307
Supplies	60,629	93,221	153,850
Depreciation and Amortization	373,058	455,632	828,690
Other Services	787,270	848,279	1,635,549
	<u>2,507,860</u>	<u>2,626,353</u>	<u>5,134,213</u>
Total Operating Expenses	2,507,860	2,626,353	5,134,213
Operating Income (Loss)	452,244	274,950	727,194
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	1,020	-	1,020
Grant Income	12,782	274,376	287,158
Interest and Fiscal Charges	(32,300)	-	(32,300)
Gain (Loss) on Sale of Fixed Asset	(135)	(251)	(386)
	<u>(18,633)</u>	<u>274,125</u>	<u>255,492</u>
Total Non-Operating Revenues (Expenses)	(18,633)	274,125	255,492
INCOME BEFORE OPERATING TRANSFERS:	433,611	549,075	982,686
Operating Transfers (Out)	(258,784)	(403,638)	(662,422)
CHANGE IN NET POSITION	174,827	145,437	320,264
NET POSITION - OCTOBER 1, as previously reported	7,922,757	10,363,013	18,285,770
PRIOR PERIOD ADJUSTMENT	27,893	42,318	70,211
NET POSITION - OCTOBER 1, as restated	7,950,650	10,405,331	18,355,981
NET POSITION - SEPTEMBER 30	\$ <u>8,125,477</u>	\$ <u>10,550,768</u>	\$ <u>18,676,245</u>

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

CITY OF PONTOTOC, MISSISSIPPI
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	Water/Sewer Utility Fund	Gas Utility Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 2,917,974	\$ 6,347,436	\$ 9,265,410
Cash Payments for Gas Purchases	-	(3,377,028)	(3,377,028)
Cash Payments for Personal Services	(1,024,936)	(1,174,039)	(2,198,975)
Cash Payments for Contractual Services	(226,307)	-	(226,307)
Cash Payments for Supplies	(60,629)	(93,221)	(153,850)
Cash Payments for Other Services	(822,297)	(869,647)	(1,691,944)
Net Cash Provided By Operating Activities	<u>783,805</u>	<u>833,501</u>	<u>1,617,306</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Transfers - In from (Out) to Other Funds	(258,784)	(403,638)	(662,422)
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>(258,784)</u>	<u>(403,638)</u>	<u>(662,422)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Fixed Assets	(459,648)	(543,230)	(1,002,878)
Capital Grant Funds Received	12,782	274,376	287,158
Principal Paid on Bonds, Notes and Capital Lease Payables	(337,044)	-	(337,044)
Interest Paid on Bonds, Notes and Capital Lease Payables	(32,300)	-	(32,300)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(816,210)</u>	<u>(268,854)</u>	<u>(1,085,064)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Investments	1,020	-	1,020
Net Cash Provided By Investing Activities	<u>1,020</u>	<u>-</u>	<u>1,020</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	<u>(290,169)</u>	<u>161,009</u>	<u>(129,160)</u>
CASH AND RESTRICTED CASH, OCTOBER 1	<u>3,085,003</u>	<u>1,637,301</u>	<u>4,722,304</u>
CASH AND RESTRICTED CASH, SEPTEMBER 30	<u>\$ 2,794,834</u>	<u>\$ 1,798,310</u>	<u>\$ 4,593,144</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 452,244	\$ 274,950	\$ 727,194
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities			
Depreciation	373,058	455,632	828,690
Net Pension Expense	35,660	55,182	90,842
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(42,130)	(5,421)	(47,551)
(Increase) Decrease in Prepaid Expenses	(35,281)	(23,658)	(58,939)
(Increase) Decrease in Inventory	(564)	(156,185)	(156,749)
Increase (Decrease) in Accounts Payable - operating activities	818	233,001	233,819
Total Adjustments	<u>331,561</u>	<u>558,551</u>	<u>890,112</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 783,805</u>	<u>\$ 833,501</u>	<u>\$ 1,617,306</u>

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

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, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The City reports the following governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

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, 2021

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, 2021**

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.

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.

Cash and Cash Equivalents and Investments

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

State statutes authorize the City to invest in obligations of the U.S. Treasury, State of Mississippi, or of any county or municipality of the State of Mississippi.

Investments are represented by certificates of deposit and are stated at cost, plus accrued interest.

Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Inventories

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

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:

Plant, building, and improvements	20 – 40 Years
Machinery and equipment	3 – 10 Years
Infrastructure	20 Years
Leased property under capital leases	*

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

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, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING 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 that time.

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 10 for further details.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Long-term Liabilities

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

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net position.

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.

Pensions

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

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

- **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 an obligation to maintain unemployment revolving funds intact in lieu of periodic contributions to the state unemployment insurance program. The City has classified all funds associated with the unemployment revolving fund as nonspendable. The City has also 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. Also, drug seizure funds and ARPA grant funds are classified as restricted because the underlying grant restricts the use of the remaining funds.
- **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.
- **Unassigned:** This classification includes the residual fund balance for the General Fund and all other amounts not included in other spendable classifications.

Use of Restricted/Unrestricted Net Position

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The carrying amount of cash, investments, accounts and other receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments.

Interfund Transfers

The principal purpose of interfund transfers is to provide reimbursement for shared costs between funds, funding for debt service and operations. All transfers are routine and consistent with the activities of the fund making the transfer.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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.

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The adoption of this statement did not have a significant impact on the City's financial statements.

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021**

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The carrying amount of the City's total deposits with financial institutions at September 30, 2021, was \$6,638,741, and the bank balance was \$6,890,544. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's entire bank balances were covered by federal depository insurance or collateralized in accordance with state law at year end. The collateral for public entities' deposits in financial institutions are held in the name of the Mississippi 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 City'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 Depository Insurance Corporation.

Investments

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk; however, the City's policy is to hold all investments to maturity, thereby reducing any interest rate risk.

Credit risk: The City and its component units are allowed, by State statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; 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 any financial institution approved for the deposit of state funds. It is the City's policy to limit its investments to those allowed by the State statute.

Concentration of credit risk: The City complies with the State statute regarding investments; as a result, concentration risk is limited.

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial credit risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize this risk, the City's requires that all negotiable instruments be held in safekeeping in the trust department of a bank. The City's investments are insured or registered, or are securities held by the City or its agent in the City's name.

The City's investments as of September 30, 2021 are:

Investments:

Certificates of Deposit	\$ 15,770
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NOTE 3 – INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund balances at September 30, 2021:

Transfers In/Out:

	Transfers In		Transfers Out	
General Fund	\$ 662,422	\$	-	
Water/Sewer Utility Fund	-		258,784	
Gas Utility Fund	-		403,638	
	\$ 662,422	\$	662,422	

All transfers are routine and consistent with the activities of the fund making the transfer.

NOTE 4 – 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.

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 4 – RISK MANAGEMENT (continued)

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

The City Attorney estimates that the amount of actual or potential claims against the City as of September 30, 2021, 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 5 – RECEIVABLES

Receivables at September 30, 2021, 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 \$913,695 and in Business-Type activities for uncollectable accounts of \$220,978. The City believes that all other accounts receivables are collectible.

NOTE 6 – 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, 2021

NOTE 6 – CAPITAL LEASES RECEIVABLE (continued)

A summary of the capital leases receivable are as follows:

	<u>Balance</u> <u>10/01/20</u>	<u>Issued</u>	<u>Reduction</u>	<u>Balance</u> <u>09/30/21</u>	<u>Current</u> <u>Receivable</u>
Capital Lease- with interest of 4.50% maturing in June, 2029	\$ 274,930	\$ -	\$ 25,625	\$ 249,305	\$ 26,894
Capital Lease- with interest of 4.00% maturing in January, 2035	552,466	-	31,881	520,585	33,104
Capital Lease- with interest of 3.75% maturing in June, 2023	<u>256,580</u>	<u>-</u>	<u>82,398</u>	<u>174,182</u>	<u>85,488</u>
Capital Leases	<u>\$ 1,083,976</u>	<u>\$ -</u>	<u>\$ 139,904</u>	<u>\$ 944,072</u>	<u>\$ 145,486</u>

The future minimum lease payments of the capital leases receivable at September 30, 2021, are as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	71,103	19,934	91,037
2027-2031	306,373	54,858	361,231
2032-2035	<u>136,381</u>	<u>9,283</u>	<u>145,664</u>
Total	<u>\$ 944,072</u>	<u>\$ 192,190</u>	<u>\$ 1,136,262</u>

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 7 – CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2021:

Primary Government:

	Balance 10/01/20 <u>Restated</u>	Additions	Reclass/ Disposals	Balance 09/30/21
Capital Assets, not being depreciated:				
Land	\$ 5,857,893	\$ -	\$ -	\$ 5,857,893
Construction in Progress	<u>709,540</u>	<u>462,239</u>	<u>(1,171,779)</u>	<u>-</u>
Total Capital Assets, not being depreciated	<u>6,567,433</u>	<u>462,239</u>	<u>(1,171,779)</u>	<u>5,857,893</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	13,065,713	33,095	-	13,098,808
Infrastructure	1,763,014	460,154	1,171,779	3,394,947
Machinery and Equipment	2,765,782	173,160	(90,399)	2,848,543
Leased Property Under Capital Leases	<u>83,105</u>	<u>-</u>	<u>-</u>	<u>83,105</u>
Total Capital Assets being depreciated	<u>17,677,614</u>	<u>666,409</u>	<u>1,081,380</u>	<u>19,425,403</u>
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(7,358,533)	(166,825)	-	(7,525,358)
Infrastructure	(620,275)	(94,032)	-	(714,307)
Machinery and Equipment	(2,060,874)	(170,485)	81,349	(2,150,010)
Leased Property Under Capital Leases	<u>(7,479)</u>	<u>(7,480)</u>	<u>-</u>	<u>(14,959)</u>
Total Accumulated Depreciation	<u>(10,047,161)</u>	<u>(438,822)</u>	<u>81,349</u>	<u>(10,404,634)</u>
Total Capital Assets, depreciated, net				
Governmental Activities	<u>7,630,453</u>	<u>227,587</u>	<u>1,162,729</u>	<u>9,020,769</u>
Capital Assets, net	<u>\$ 14,197,886</u>	<u>\$ 689,826</u>	<u>\$ (9,050)</u>	<u>\$ 14,878,662</u>

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 7 – CAPITAL ASSETS (continued)

A summary of business-type capital asset activity at September 30, 2021 follows:

	Balance 10/01/20 <u>Restated</u>	Additions	Reclass/ Disposals	Balance 09/30/21
Capital Assets, not being depreciated:				
Land	\$ 146,700	\$ -	\$ -	\$ 146,700
Construction in Progress	<u>57,978</u>	<u>343,725</u>	<u>(401,703)</u>	<u>-</u>
Total Capital Assets, not being depreciated	<u>204,678</u>	<u>343,725</u>	<u>(401,703)</u>	<u>146,700</u>
Capital Assets being depreciated:				
Plant, Buildings, & Improvements	27,405,939	545,109	419,703	28,370,751
Machinery and Equipment	<u>2,300,556</u>	<u>114,044</u>	<u>(89,896)</u>	<u>2,324,704</u>
Total Capital Assets being depreciated	<u>29,706,495</u>	<u>659,153</u>	<u>329,807</u>	<u>30,695,455</u>
Less Accumulated Depreciation for:				
Plant, Buildings, & Improvements	(10,509,949)	(683,498)	(891)	(11,194,338)
Machinery and Equipment	<u>(1,722,159)</u>	<u>(145,192)</u>	<u>72,401</u>	<u>(1,794,950)</u>
Total Accumulated Depreciation	<u>(12,232,108)</u>	<u>(828,690)</u>	<u>71,510</u>	<u>(12,989,288)</u>
Total Capital Assets, depreciated, net				
Business-type Activities	<u>17,474,387</u>	<u>(169,537)</u>	<u>401,317</u>	<u>17,706,167</u>
Capital Assets, net	<u>\$ 17,679,065</u>	<u>\$ 174,188</u>	<u>\$ (386)</u>	<u>\$ 17,852,867</u>

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

Governmental Activities:	
General Government	\$ 126,976
Public Safety	109,496
Public Works	146,449
Culture & Recreation	52,320
Materials Control / Mechanic	<u>3,581</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 438,822</u>
Depreciation expense for Water, Sewer and Gas	<u>\$ 828,690</u>

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 8 - CAPITAL LEASES

As Lessee:

The City is obligated for the following capital assets acquired through capital leases as of September 30, 2021:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Machinery & Equipment	\$ 83,105
Less: Accumulated Depreciation	<u>(14,959)</u>
Leased Property Under Capital Leases	<u>\$ 68,146</u>

The following is a schedule by years of the total payments due as of September 30, 2021:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ <u>28,826</u>	\$ <u>1,110</u>

NOTE 9 - LONG-TERM DEBT

Debt outstanding as of September 30, 2021, consisted of the following:

Governmental Activities:

Description and Purpose	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
A. Notes Payable:					
MDA Capital Improvements Loan	3.00%	1/01/2009	1/01/2029	\$ 834,819	\$ 356,239
Three Rivers Planning & Development District	4.50%	6/11/2014	6/01/2029	410,000	247,061
Three Rivers Planning & Development District	4.00%	1/13/2015	1/13/2030	96,652	60,877
MDA Capital Improvements Loan	3.00%	10/01/2015	10/01/2035	616,355	471,978
Three Rivers Planning & Development District	2.50%	1/12/2018	1/12/2028	175,000	115,840
Three Rivers Planning & Development District	3.75%	6/20/2019	6/20/2023	336,000	83,190
Three Rivers Planning & Development District	3.00%	6/08/2020	6/08/2030	300,000	267,137
Total Notes Payable				\$ 2,768,826	\$ 1,602,322
B. Capital Leases:					
2019 Caterpillar Dozer	3.85%	9/30/2019	9/30/2022	\$ 83,105	\$ 28,826

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - LONG-TERM DEBT (continued)

Business-type Activities:

Description and Purpose	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
A. Notes Payable:					
MDEQ Water Pollution Control Revolving Loan	1.75%	5/17/2007	6/08/2026	\$ 6,408,591	\$ 1,529,678
MDEQ Water Pollution Control Emergency Loan	4.00%	5/10/2013	3/01/2023	268,224	48,697
Total Notes Payable				\$ 6,676,815	\$ 1,578,375

Three Rivers Planning & Development District loan Issue 2014. The City has a lease receivable agreement with Brooks and Dehart Furniture Xpress, Inc. for industrial infrastructure. The lease agreement requires Brooks and Dehart Furniture Xpress, Inc. 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.

Three Rivers Planning & Development District loan Issue 2019. 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.

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

Governmental Activities:

Year Ending September 30	Notes Payable	
	Principal	Interest
2022	\$ 149,900	\$ 46,804
2023	238,166	48,911
2024	160,074	37,279
2025	165,226	32,129
2026	170,930	27,938
2027 - 2031	560,067	76,409
2032 - 2036	157,959	14,863
	\$ 1,602,322	\$ 284,333

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 9 - LONG-TERM DEBT (continued)

Business-type Activities:

<u>Year Ending September 30</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 343,703	\$ 25,645
2023	333,618	18,978
2024	322,653	13,191
2025	328,345	7,497
2026	250,056	1,827
	<u>\$ 1,578,375</u>	<u>\$ 67,138</u>

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2021:

Governmental Activities:

	<u>Balance</u> <u>10/01/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/21</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Notes Payable	\$ 1,908,409	\$ -	\$ 306,087	\$ 1,602,322	\$ 149,900
Capital Leases	56,478	-	27,652	28,826	28,826
Total	<u>\$ 1,964,887</u>	<u>\$ -</u>	<u>\$ 333,739</u>	<u>\$ 1,631,148</u>	<u>\$ 178,726</u>

Business-type Activities:

	<u>Balance</u> <u>10/01/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/21</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Notes Payable	<u>\$ 1,915,419</u>	<u>\$ -</u>	<u>\$ 337,044</u>	<u>\$ 1,578,375</u>	<u>\$ 343,703</u>

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability 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, 2021, 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, 2021 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, 2021, 2020 and 2019 were \$720,141, \$673,966 and \$614,130, respectively, equal to the required contributions for each year.

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)

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

At September 30, 2021, the City reported a liability of \$9,039,272 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021 net pension liability was 0.061157 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.003332 percent from its proportionate share used to calculate the September 30, 2020 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended September 30, 2021, the City recognized pension expense of \$948,059. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 141,146	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,750,716
Changes of assumptions	694,009	-
Changes in the proportion and differences between the City's contributions and proportionate share of contributions	296,509	227,839
City contributions subsequent to the measurement date	<u>192,166</u>	<u>-</u>
Total	<u>\$ 1,323,830</u>	<u>\$ 2,978,555</u>

\$192,166 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)

Year ending September 30	Amount
2022	\$ (263,900)
2023	(362,453)
2024	(409,325)
2025	(811,213)
Total	\$ <u>(1,846,891)</u>

Actuarial Assumptions. The total pension liability as of June 30, 2021 was determined by an actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are applied to all periods in the measurement:

Inflation	2.40%
Salary increases	2.65 – 17.90%, including inflation
Investment rate of return	7.55%, 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, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 100% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the four-year period from July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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.

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN- (continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00%	4.60%
International Equity	22.00%	4.50%
Global Equity	12.00%	4.80%
Fixed Income	20.00%	-0.25%
Real Estate	10.00%	3.75%
Private Equity	8.00%	6.00%
Cash Equivalents	1.00%	-1.00%
Total	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.55 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 7.55 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 (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	Discount Rate	City's Proportionate Share of the Net Pension Liability
1% decrease	6.55%	\$12,801,728
Current discount rate	7.55%	\$9,039,272
1% increase	8.55%	\$5,938,709

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

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 11 – 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 \$91,805 more than cash revenues.

NOTE 12 – ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for uncollectible court fines and the net pension liability as mentioned in Note 5 and Note 10, respectively. It is at least reasonably possible that the significant estimates used will change within the next year.

NOTE 13 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of (\$1,654,704) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$192,166 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. The \$1,131,664 balance of the deferred outflow of resources related to pensions at September 30, 2021, will be recognized in pension expense over the next 3 years. The \$2,978,555 balance of the deferred inflow of resources related to pension at September 30, 2021, will be recognized in pension expense over the next 4 years.

NOTE 14 - FEDERAL GRANTS

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

NOTE 15 – 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.

**CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021**

NOTE 16 – 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:			
Public Safety – Police Department			
Personnel Services	\$ 1,641,284	\$ 1,731,266	\$ 89,982
Supplies	135,000	180,380	45,380
Municipal Court			
Supplies	1,500	3,464	1,964
Public Safety – Fire Department			
Other Services and Charges	45,800	60,107	14,307
Public Works			
Personnel Services	291,565	354,002	62,437

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Statement of Activities – Governmental Activities

<u>Explanation</u>	<u>Amount</u>
To correct prior year capital assets	\$ (614,128)
Total prior period adjustment(s)	\$ (614,128)

Statement of Activities – Business-Type Activities

<u>Explanation</u>	<u>Amount</u>
To correct prior year capital assets	\$ 70,211
Total prior period adjustment(s)	\$ 70,211

Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Funds

<u>Explanation</u>	<u>Amount</u>
To correct prior year capital assets	\$ 70,211
Total prior period adjustment(s)	\$ 70,211

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 18 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Pontotoc, Mississippi evaluated the activity of the City through October 27, 2022, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2021, the City issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
08/02/2022	3.00%	\$ 400,000	Note Payable	Utility sales

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, 2021
UNAUDITED

	2021	2020	2019	2018	2017	2016	2015
A. Pontotoc's proportion of the net pension liability (%)	0.061157%	0.057825%	0.056786%	0.052962%	0.052561%	0.049965%	0.048000%
B. Pontotoc's proportionate share of the net pension liability	\$ 9,039,272	\$ 11,194,248	\$ 9,989,778	\$ 8,809,154	\$ 8,737,422	\$ 8,924,997	\$ 7,426,346
C. Pontotoc's covered employee payroll	\$ 4,066,339	\$ 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 (%)	222.30%	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	70.44%	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, 2021
UNAUDITED

	2021	2020	2019	2018	2017	2016	2015	2014
A. Contractually required contributions	\$ 720,141	\$ 673,966	\$ 614,130	\$ 548,051	\$ 514,519	\$ 512,945	\$ 474,871	\$ 454,556
B. Contributions in relation to contractually required contributions	\$ 720,141	\$ 673,966	\$ 614,130	\$ 548,051	\$ 514,519	\$ 512,945	\$ 474,871	\$ 454,556
C. Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
D. Pontotoc's covered employee payroll	\$ 4,138,728	\$ 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%	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, 2021

PENSION SCHEDULES

(1) Changes in assumptions

a. 2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

b. 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 reflect actual experience more closely.

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2021

PENSION SCHEDULES (continued)

- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.
 - c. 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
 - d. 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
 - e. 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
 - Assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.
- (2) 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.
- (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, 2019 valuation for the June 30, 2021 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	28.8 years
• Asset valuation method	5-year smoothed market
• Price Inflation	2.75 percent
• Salary increase	3.00 percent to 18.25 percent, including inflation
• Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CITY OF PONTOTOC, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2021

PENSION SCHEDULES (continued)

- (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, 2021**

ASSETS:

Cash on Deposit - Unrestricted	\$ 727,142
Cash on Deposit - Restricted	13,747
Money Market, CD's - Unrestricted	15,770
Accounts Receivable	44,542
Due from Other Governments	313,860
Prepaid Insurance	<u>63,916</u>
 TOTAL ASSETS	 \$ <u><u>1,178,977</u></u>

LIABILITIES AND FUND BALANCE:

LIABILITIES

Accounts Payable & Accrued Expenses	\$ 93,204
Due to Other Governments	<u>79,475</u>
 TOTAL LIABILITIES	 <u>172,679</u>

FUND BALANCE

Nonspendable:	
Prepaid Items	63,916
Unemployment Trust	15,770
Restricted:	
Drug Seizure Funds	13,747
Unassigned	<u>912,865</u>
 TOTAL FUND BALANCE	 <u>1,006,298</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u><u>1,178,977</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, 2021

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Privilege Licenses and Fees	\$ 25,000	\$ 26,551	\$ 1,551
Road Maintenance	240,000	238,366	(1,634)
Sales Tax	2,750,000	3,657,356	907,356
Gasoline Taxes	10,000	8,041	(1,959)
Fire Protection	35,000	-	(35,000)
Court Fines and Fees	418,120	273,049	(145,071)
In Lieu of Taxes	270,000	276,235	6,235
School Tax Collection Fees	150,000	152,645	2,645
Lease Rentals	222,020	205,653	(16,367)
Building Permits and Fees	20,000	35,503	15,503
Miscellaneous Revenues	188,500	128,245	(60,255)
Donations	-	46,270	46,270
Cable Franchise Fees	45,000	33,219	(11,781)
Interest Income	48,000	38,151	(9,849)
Penalties and Interest	43,000	30,279	(12,721)
Park and Recreation	448,050	267,315	(180,735)
County Fire Rebate	8,000	-	(8,000)
Grant Income - Other	-	463,536	463,536
TOTAL REVENUES	4,920,690	5,880,414	959,724
EXPENDITURES:			
General Government			
Personnel Services	358,575	318,216	40,359
Supplies	40,500	35,754	4,746
Other Services and Charges	211,500	77,550	133,950
Capital Outlay	10,000	3,423	6,577
TOTAL	620,575	434,943	185,632
Public Safety			
Personnel Services	2,515,731	2,573,625	(57,894)
Supplies	170,500	218,752	(48,252)
Other Services and Charges	237,445	210,582	26,863
Capital Outlay	68,000	65,426	2,574
TOTAL	2,991,676	3,068,385	(76,709)
Public Works			
Personnel Services	291,565	354,002	(62,437)
Supplies	481,750	140,958	340,792
Other Services and Charges	218,550	197,894	20,656
Capital Outlay	45,000	971,888	(926,888)
TOTAL	1,036,865	1,664,742	(627,877)

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, 2021

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Culture and Recreation			
Personnel Services	\$ 337,123	\$ 292,202	\$ 44,921
Supplies	138,000	126,330	11,670
Professional Services	120,000	92,269	27,731
Capital Outlay	10,000	11,260	(1,260)
TOTAL	<u>605,123</u>	<u>522,061</u>	<u>83,062</u>
Building Inspection			
Personnel Services	78,456	76,492	1,964
Supplies	3,800	2,962	838
Other Services and Charges	5,300	4,390	910
Capital Outlay	1,000	-	1,000
TOTAL	<u>88,556</u>	<u>83,844</u>	<u>4,712</u>
Materials Control and Mechanic			
Personnel Services	156,173	152,408	3,765
Supplies	8,200	5,008	3,192
Other Services and Charges	9,250	7,123	2,127
Capital Outlay	6,000	505	5,495
TOTAL	<u>179,623</u>	<u>165,044</u>	<u>14,579</u>
Debt Service			
Principal	172,065	333,738	(161,673)
Interest	64,056	61,034	3,022
TOTAL	<u>236,121</u>	<u>394,772</u>	<u>(158,651)</u>
TOTAL EXPENDITURES	<u>5,758,539</u>	<u>6,333,791</u>	<u>(575,252)</u>
EXCESS (DEFICIT) REVENUES OVER (UNDER) EXPENDITURES	<u>(837,849)</u>	<u>(453,377)</u>	<u>384,472</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	662,423	662,422	(1)
TOTAL OTHER FINANCING SOURCES (USES)	<u>662,423</u>	<u>662,422</u>	<u>(1)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(175,426)	209,045	384,471
Fund Balances at October 1, 2020	889,058	889,058	-
Fund Balances at September 30, 2021	\$ <u>713,632</u>	\$ 1,098,103	\$ <u>384,471</u>
Adjustments To GAAP Basis:			
Add: Accrued Revenue		(91,805)	
Fund Balance GAAP September 30, 2021		\$ <u>1,006,298</u>	

CITY OF PONTOTOC, MISSISSIPPI
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Non-Major Special Revenue	Total Non-Major Governmental Funds
	<hr/>	<hr/>
<u>ASSETS:</u>		
Cash on Deposit - Restricted	\$ 1,304,708	\$ 1,304,708
Due From Other Governments	<hr/> 41,081	<hr/> 41,081
 TOTAL ASSETS	 \$ <u><u>1,345,789</u></u>	 \$ <u><u>1,345,789</u></u>
 <u>LIABILITIES AND FUND BALANCES:</u>		
<u>LIABILITIES:</u>		
Accounts Payable	\$ -	\$ -
Due to Other Funds	<hr/> -	<hr/> -
TOTAL LIABILITIES	<hr/> -	<hr/> -
 <u>FUND BALANCES:</u>		
Restricted		
Infrastructure - ARPA	759,007	759,007
Tourism	<hr/> 586,782	<hr/> 586,782
TOTAL FUND BALANCES	<hr/> 1,345,789	<hr/> 1,345,789
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u><u>1,345,789</u></u>	 \$ <u><u>1,345,789</u></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, 2021

	Non-Major			Totals		
	Special Revenue					
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
Tourism Taxes	\$ 460,000	\$ 543,998	\$ 83,998	\$ 460,000	\$ 543,998	\$ 83,998
Grant Income	-	758,309	758,309	-	758,309	758,309
Interest Income	-	698	698	-	698	698
TOTAL REVENUES	460,000	1,303,005	843,005	460,000	1,303,005	843,005
EXPENDITURES:						
Capital Outlay	-	76,146	(76,146)	-	76,146	(76,146)
Culture and Recreation	427,000	257,431	169,569	427,000	257,431	169,569
TOTAL	427,000	333,577	93,423	427,000	333,577	93,423
TOTAL EXPENDITURES	427,000	333,577	93,423	427,000	333,577	93,423
EXCESS (DEFICIT) REVENUES OVER (UNDER)						
EXPENDITURES	33,000	969,428	936,428	33,000	969,428	936,428
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	969,428	936,428	33,000	969,428	936,428
Fund Balances at October 1, 2020	384,392	384,392	-	384,392	384,392	-
Fund Balances at September 30, 2021	\$ 417,392	\$ 1,353,820	\$ 936,428	\$ 417,392	\$ 1,353,820	\$ 936,428
Adjustments to GAAP Basis:						
Add: Accrued Revenue		(8,031)			(8,031)	
Fund Balance GAAP September 30, 2021	\$ 1,345,789	\$ 1,345,789	\$ 1,345,789	\$ 1,345,789	\$ 1,345,789	\$ 1,345,789

OTHER SUPPLEMENTARY INFORMATION

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2021

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Alex Fauver	Deputy	The Policy Center, Inc.	\$50,000
Casey Sappington	Deputy	The Policy Center, Inc.	\$50,000
Chad Mills	Deputy	The Policy Center, Inc.	\$50,000
Cotton Lane Tutor	Deputy	The Policy Center, Inc.	\$50,000
Jeff Stafford	Alderman	The Policy Center, Inc.	\$50,000
Jimmy Smith	Alderman	The Policy Center, Inc.	\$50,000
Donna Butler	Deputy Clerk	The Policy Center, Inc.	\$50,000
Earl Poe	Deputy	The Policy Center, Inc.	\$50,000
Christy Mask	Park & Rec Employee	The Policy Center, Inc.	\$50,000
Greg Bedford	Deputy	The Policy Center, Inc.	\$50,000
Jacob Chisholm	Deputy	The Policy Center, Inc.	\$50,000
Jamie Sappington	Deputy Tax Collector	The Policy Center, Inc.	\$50,000
Jason Collier	Deputy	The Policy Center, Inc.	\$50,000
Jeremy Boone	Park & Rec Employee	The Policy Center, Inc.	\$50,000
Jessica Sullivan	City Clerk	The Policy Center, Inc.	\$50,000
Karen Washington	Office Clerk	The Policy Center, Inc.	\$50,000
Kevin Rodgers	Deputy	The Policy Center, Inc.	\$50,000
Kim King	Office Clerk	The Policy Center, Inc.	\$50,000
Kurtis Gregory	Deputy	The Policy Center, Inc.	\$50,000
Lena Chew	Alderwoman	The Policy Center, Inc.	\$100,000
Mark Baldwin	Deputy	The Policy Center, Inc.	\$50,000
Matthew Lee Gray	Deputy	The Policy Center, Inc.	\$50,000
Matthew Tate Pannell	Deputy	The Policy Center, Inc.	\$50,000
Jeffrey Turner	Deputy	The Policy Center, Inc.	\$50,000
Randy Tutor	Chief of Police	The Policy Center, Inc.	\$50,000
Joe Didonna	Alderman	The Policy Center, Inc.	\$50,000
Robert Peeples	Mayor	The Policy Center, Inc.	\$50,000
Roberta Tutor	Caretaker	The Policy Center, Inc.	\$50,000
Christy Staser	Cashier	The Policy Center, Inc.	\$50,000
Gregory Chase Denton	Deputy	The Policy Center, Inc.	\$50,000
Tamika Betts	Deputy	The Policy Center, Inc.	\$50,000
Tanner Golding	Deputy	The Policy Center, Inc.	\$50,000
Terri Flaherty	Deputy City Clerk	The Policy Center, Inc.	\$50,000
Terry Farr	Park & Rec Director	The Policy Center, Inc.	\$50,000
Terry Williamson	Bldg Inspector	The Policy Center, Inc.	\$50,000
Tim Gunter	Purchasing Agent	The Policy Center, Inc.	\$50,000
Tommy Caldwell	Office Collection	The Policy Center, Inc.	\$50,000
David Anderson	Alderman	The Policy Center, Inc.	\$50,000
Valeri Watts	Office Clerk	The Policy Center, Inc.	\$50,000
Veronica Long	Court Clerk	The Policy Center, Inc.	\$50,000
Will Tutor	Office Collection	The Policy Center, Inc.	\$50,000
Lakesha Gamble	Deputy Court Clerk	The Policy Center, Inc.	\$50,000
Anthony Gobbell	Deputy	The Policy Center, Inc.	\$50,000
Naomi Dixon	Park & Rec Secretary	The Policy Center, Inc.	\$50,000
Sonya White-Strevel	Court Clerk	The Policy Center, Inc.	\$50,000

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF LONG TERM DEBT
For the Year Ended September 30, 2021

	BALANCE OUTSTANDING October 1, 2020	TRANSACTIONS DURING FISCAL YEAR ISSUED	REDEEMED	BALANCE OUTSTANDING September 30, 2021
<u>Other Long Term Debt</u>				
MDEQ Water Pollution Rev. Loan	\$ 1,835,841	\$ -	\$ 306,163	\$ 1,529,678
MDA Capital Improvements Loan	396,375	-	40,136	356,239
MDEQ Water Pollution Emergency Loan	79,578	-	30,881	48,697
Note Payable to Three Rivers Planning and Development District	270,484	-	23,423	247,061
MDA CAP Loan	495,729	-	23,751	471,978
Note Payable to Three Rivers Planning and Development District	131,054	-	15,214	115,840
Note Payable to Three Rivers Planning and Development District	66,327	-	5,450	60,877
Note Payable to Three Rivers Planning and Development District	257,385	-	174,195	83,190
Note Payable to Three Rivers Planning and Development District	291,055	-	23,918	267,137
Lease Payable to Caterpillar Financial Services	56,478	-	27,652	28,826
TOTAL	\$ 3,880,306	\$ -	\$ 670,783	\$ 3,209,523

OTHER REPORTS

**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, 2021, 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 27, 2022.

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 2021-001, 2021-003 and 2021-004 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 2021-002, 2021-005 and 2021-006 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 three instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as finding 2021-002, 2021-006 and 2021-007.

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 27, 2022

**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, 2021, and have issued our report thereon dated October 27, 2022. 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 three instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the Schedule of Findings and Responses as finding 2021-002, 2021-006 and 2021-007.

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, Wilmon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
October 27, 2022

**CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2021**

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 2021-001 (material weakness)

Repeat Finding: Yes

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

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.

Cause: The City's size and number of personnel in these departments limit the opportunities for adequate segregation of duties.

Effect: Failure to have an adequate segregation of duties could result in the loss of public funds

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. 2021-002 (significant deficiency, noncompliance)

Repeat Finding: Yes

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.

Condition: The City had budget overages in five expenditure categories for the year ended September 30, 2021.

Cause: The City did not properly amend the budget to prevent budget overages.

Effect: The City was out of compliance with state budgeting requirements.

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.

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2021

FINANCIAL STATEMENT FINDINGS (continued):

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

FINDING NO. 2021-003 (material weakness)

Repeat Finding: Yes

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

Condition: 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.

Cause: The City lacked proper controls to identify and detect potential financial statement misstatements.

Effect: Recordkeeping deficiencies may reduce the City's ability to effectively monitor its use of public resources and increase the risk of inappropriate or inefficient use of resources. Improper recording of transactions also could affect the reliability of the City's reporting of financial position and results of operations.

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. 2021-004 (material weakness)

Repeat Finding: Yes

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

Condition: 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.

Cause: The City lacked proper controls to identify and detect that cash accounts were not being properly reconciled.

**CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2021**

FINANCIAL STATEMENT FINDINGS (continued):

Effect: Cash accountability deficiencies increase the risk of unauthorized disbursements and cash losses and thwart the prompt detection of such disbursements and losses.

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 in a timely manner. 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.

FINDING NO. 2021-005 (significant deficiency)

Repeat Finding: Yes

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

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.

Cause: The City's new general ledger software system lacks the proper controls to perform reconciliations accurately.

Effect: Cash accountability deficiencies increase the risk of unauthorized disbursements and cash losses and thwart the prompt detection of such disbursements and losses.

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.

FINDING NO. 2021-006 (significant deficiency, noncompliance)

Repeat Finding: No

Criteria: The City is to participate in the centralized pledging program (State Collateral Pool) to satisfy pledging requirements for deposits at financial institutions where the City maintains public funds as required by Mississippi Code 27-105-5.

CITY OF PONTOTOC, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2021

FINANCIAL STATEMENT FINDINGS (continued):

Condition: The City did not ensure that all bank accounts were covered under the State Treasurer pool for the year ended September 30, 2021.

Cause: The City left off two accounts on the Annual Report to the State Treasurer and did not submit the Annual Report to the State Treasurer within thirty days of year end.

Effect: The City was out of compliance with the Mississippi Code 27-105-5.

Recommendation: The City should implement adequate controls to ensure that all relevant reports regarding the State Collateral Pool are maintained, timely submitted and reconciled with the financial records of the City.

Response: The City will ensure that it has all current State Collateral Pool reports from the State Treasurer so as to ensure that all City deposits are properly collateralized. The City will file the annual report with the State Treasurer within thirty days of year end and ensure all accounts are included in the future.

FINDING NO. 2021-007 (noncompliance)

Repeat Finding: No

Criteria: Section IV – Municipal Audit and Accounting Guide issued by the Mississippi Office of the State Auditor requires the City to complete the municipal compliance questionnaire at year end and enter it into their minutes at the next regular meeting.

Condition: The City did not maintain adequate internal controls over compliance to ensure proper documentation of compliance with state laws.

Cause: The City completed and adopted the municipal compliance questionnaire in March 2022.

Effect: The City was out of compliance with state requirements.

Recommendation: The City should ensure that the municipal compliance questionnaire is completed at year end and entered into the City's minutes at the first regular board meeting after September.

Response: The City will ensure that the municipal compliance questionnaire is completed and adopted pursuant to state auditor guidelines.