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**PANOLA COUNTY, MISSISSIPPI**  
**Audited Financial Statements**  
**For the Year Ended September 30, 2013**



**WILLIAMS • PITTS • BEARD, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PANOLA COUNTY, MISSISSIPPI

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**PANOLA COUNTY, MISSISSIPPI**

**FINANCIAL SECTION**

**PANOLA COUNTY, MISSISSIPPI**

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## INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors  
Panola County  
Batesville, 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 Panola County, Mississippi ("the County") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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.

### Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

## **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Panola County, Mississippi as of September 30, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of Panola County, Mississippi, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Material Departures from Guidelines**

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. We have applied certain limited procedures to the Budgetary Comparison Schedules and corresponding notes 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. Although our opinion on the basic financial statements is not affected, the following material departure from the prescribed guidelines exist. Management's Discussion and Analysis is not in conformity with the requirements of the Governmental Accounting Standards Board because it is not presented. We do not express an opinion or provide any assurance on the information.

### **Omission of Required Supplementary Information**

Panola County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Panola County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133,

*Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014, on our consideration of Panola County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Panola County, Mississippi's internal control over financial reporting and compliance.

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
September 22, 2014

**PANOLA COUNTY, MISSISSIPPI**

**FINANCIAL STATEMENTS**

**PANOLA COUNTY, MISSISSIPPI**  
**Statement of Net Position**  
**September 30, 2013**

**Exhibit 1**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 16,269,458	308,039	16,577,497
Investments	70,002		70,002
Property tax receivable	9,787,989		9,787,989
Accounts receivable (net of allowance for uncollectibles of \$4,590,753)		221,190	221,190
Fines receivable (net of allowance for uncollectibles of \$2,205,066)	100,057		100,057
Loans Receivable	819,500		819,500
Intergovernmental receivables	369,934	37,872	407,806
Other receivables	62,295	26,610	88,905
Internal Balances	234,024	(234,024)	
Deferred charges - bond issuance cost	302,573		302,573
Capital assets:			
Land and construction in progress	1,504,750		1,504,750
Other capital assets, net	50,742,608	1,516,205	52,258,813
<b>Total Assets</b>	<b>80,263,190</b>	<b>1,875,892</b>	<b>82,139,082</b>
<b>LIABILITIES</b>			
Claims payable	844,013	117,413	961,426
Intergovernmental payables	784,894		784,894
Accrued interest payable	44,968		44,968
Deferred Revenue	9,787,989		9,787,989
Unearned revenue		81,932	81,932
Amounts held in custody for others	114,474		114,474
Other payables	277		277
Long-term liabilities			
Due within one year:			
Capital debt	1,105,080	322,799	1,427,879
Non-capital debt	820,000		820,000
Due in more than one year:			
Capital debt	5,061,261	969,618	6,030,879
Non-capital debt	3,859,802	17,959	3,877,761
<b>Total Liabilities</b>	<b>22,422,758</b>	<b>1,509,721</b>	<b>23,932,479</b>
<b>NET POSITION</b>			
Net Investment in capital assets	46,081,017	223,788	46,304,805
Restricted:			
Expendable:			
General Government	922,255		922,255
Debt Service	817,075		817,075
Public Safety	1,115,070		1,115,070
Public Works	4,233,028	142,383	4,375,411
Economic development	462,093		462,093
Unemployment compensation	26,126		26,126
Nonexpendable	1,201,158		1,201,158
Unrestricted	2,982,610		2,982,610
<b>Total Net Position</b>	<b>\$ 57,840,432</b>	<b>366,171</b>	<b>58,206,603</b>

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

**PANOLA COUNTY, MISSISSIPPI**  
**Statement of Activities**  
**For the Year Ended September 30, 2013**

**Exhibit 2**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 4,537,485	994,293	136,491		(3,406,701)	-	(3,406,701)
Public safety	6,318,228	1,036,023	301,796	133,321	(4,847,088)		(4,847,088)
Public works	4,600,544		670,994	1,025,736	(2,903,814)		(2,903,814)
Health and Welfare	341,849		138,667	20,623	(182,559)		(182,559)
Culture and recreation	22,578				(22,578)		(22,578)
Conservation of natural resources	94,763				(94,763)		(94,763)
Economic development and assistance	345,758		354,770		9,012		9,012
Interest on long-term debt	391,791				(391,791)		(391,791)
Total Governmental Activities	16,652,996	2,030,316	1,602,718	1,179,680	(11,840,282)	-	(11,840,282)
<b>Business-type activities:</b>							
Solid Waste	2,113,580	1,984,199		40,022		(89,359)	(89,359)
Total Business-type Activities	2,113,580	1,984,199		40,022		(89,359)	(89,359)
Total Primary Government	\$ 18,766,576	4,014,515	1,602,718	1,219,702	(11,840,282)	(89,359)	(11,929,641)
General revenues:							
Property taxes					\$ 15,378,800		15,378,800
Road & bridge privilege taxes					446,510		446,510
Grants & contributions not restricted to specific programs					775,914		775,914
Unrestricted interest income					35,484	1,011	36,495
Miscellaneous					331,707	187,102	518,809
Transfers					(14,010)	14,010	-
Total General Revenues and Transfers					16,954,405	202,123	17,156,528
Changes in Net Position					5,114,123	112,764	5,226,887
Net Position - Beginning, as previously reported					53,049,326	80,407	53,129,733
Prior period adjustments					(323,017)	173,000	(150,017)
Net Position - Beginning as restated					52,726,309	253,407	52,979,716
Net Position - Ending					\$ 57,840,432	366,171	58,206,603

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

**PANOLA COUNTY, MISSISSIPPI**  
**Balance Sheet - Governmental Funds**  
**September 30, 2013**

**Exhibit 3**

	<b>Major Funds</b>				
	<b>Countywide</b>				<b>Total</b>
	<b>General</b>	<b>Road</b>	<b>Bridge</b>	<b>Other</b>	
<b>Fund</b>	<b>Maintenance</b>	<b>Fund</b>	<b>Fund</b>	<b>Governmental</b>	<b>Governmental</b>
				<b>Funds</b>	<b>Funds</b>
<b>ASSETS</b>					
Cash	\$ 8,336,877	2,039,196	2,416,590	3,476,795	16,269,458
Investments				70,002	70,002
Property tax receivable	6,208,747	1,159,364	1,266,970	1,152,908	9,787,989
Fines receivable (net of allowance for uncollectibles of \$2,205,066)	100,057				100,057
Loans receivable				819,500	819,500
Intergovernmental Receivables	329,135			40,799	369,934
Other receivables	39,054	130		23,111	62,295
Due from Other funds	25,071	96,681	66,413	61,011	249,176
Advances to other funds	381,658				381,658
<b>Total Assets</b>	<b>15,420,599</b>	<b>3,295,371</b>	<b>3,749,973</b>	<b>5,644,126</b>	<b>28,110,069</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Claims payable	268,196	223,356	64,221	288,240	844,013
Intergovernmental payables	784,617	61		216	784,894
Due to other funds	224,105			11,047	235,152
Advances from others funds		161,658			161,658
Deferred Revenue	6,308,804	1,159,364	1,266,970	1,152,908	9,888,046
Amounts held in custody for others	114,474				114,474
Other payables	227	50			277
<b>Total Liabilities</b>	<b>7,700,423</b>	<b>1,544,489</b>	<b>1,331,191</b>	<b>1,452,411</b>	<b>12,028,514</b>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Advances	381,658				381,658
Loans Receivable				819,500	819,500
<b>Restricted for:</b>					
General government				385,762	385,762
Public safety				1,115,070	1,115,070
Public works		1,750,882	2,418,782	63,364	4,233,028
Economic development and assistance				462,093	462,093
Debt service				862,043	862,043
Unemployment compensation				26,126	26,126
<b>Assigned for:</b>					
General government				536,493	536,493
Unassigned	7,338,518			(78,736)	7,259,782
<b>Total Fund Balances</b>	<b>7,720,176</b>	<b>1,750,882</b>	<b>2,418,782</b>	<b>4,191,715</b>	<b>16,081,555</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,420,599</b>	<b>3,295,371</b>	<b>3,749,973</b>	<b>5,644,126</b>	<b>28,110,069</b>

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

**PANOLA COUNTY, MISSISSIPPI**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2013**

**Exhibit 3-1**

Total Fund Balance - Governmental Funds	\$ 16,081,555
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$82,934,896.	52,247,358
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds	(10,846,143)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	100,057
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(44,968)
Deferred charges - bond issuance costs	<u>302,573</u>
Total Net Position - Governmental Activities	<u><u>\$ 57,840,432</u></u>

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

**PANOLA COUNTY, MISSISSIPPI**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Governmental Funds**  
**For the Year Ended September 30, 2013**

**Exhibit 4**

	<u>Major Funds</u>				<u>Total</u> <u>Governmental</u> <u>Funds</u>
	<u>General</u> <u>Fund</u>	<u>Countywide Road</u> <u>Maintenance</u> <u>Fund</u>	<u>Bridge</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	
<b>REVENUES</b>					
Property taxes	\$ 10,004,377	1,760,068	2,005,057	1,609,298	15,378,800
Road and bridge privilege taxes		446,510			446,510
Licenses, commissions, & other revenue	608,453			127,602	736,055
Fines and forfeitures	420,685				420,685
Intergovernmental revenues	1,006,970	1,094,186		1,349,413	3,450,569
Charges for services	551,792	11,224		462,471	1,025,487
Interest income	15,327	6,306	6,216	7,635	35,484
Miscellaneous revenues	239,065	3,552		48,023	290,640
Total Revenues	<u>12,846,669</u>	<u>3,321,846</u>	<u>2,011,273</u>	<u>3,604,442</u>	<u>21,784,230</u>
<b>EXPENDITURES</b>					
Current:					
General government	4,408,637			105,547	4,514,184
Public safety	5,019,429			1,370,776	6,390,205
Public works	71,908	2,797,586	872,964	1,074,709	4,817,167
Health and welfare	208,272			94,500	302,772
Culture and recreation	22,578				22,578
Conservation of natural resources	94,763				94,763
Economic development assistance	239,508			101,965	341,473
Debt Service:					
Principal	261,784	172,495	248,044	919,539	1,601,862
Interest	109,698	13,078	19,099	258,616	400,491
Bond Issue Cost	130,812				130,812
Total Expenditures	<u>10,567,389</u>	<u>2,983,159</u>	<u>1,140,107</u>	<u>3,925,652</u>	<u>18,616,307</u>
Excess of Revenue over (under) expenditures	<u>2,279,280</u>	<u>338,687</u>	<u>871,166</u>	<u>(321,210)</u>	<u>3,167,923</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	309,160	234,042			543,202
Refunding bonds issued	4,315,000				4,315,000
Proceeds from sale of capital assets	45,376			25,389	70,765
Premium on bonds issued	62,994				62,994
Transfers in	11,599			467,464	479,063
Transfers out	(438,765)			(54,308)	(493,073)
Payment to bond refunding escrow agent	(4,247,182)			(375,101)	(4,622,283)
Total Other Fin. Sources & Uses	<u>58,182</u>	<u>234,042</u>		<u>63,444</u>	<u>355,668</u>
Net Changes in Fund Balance	<u>2,337,462</u>	<u>572,729</u>	<u>871,166</u>	<u>(257,766)</u>	<u>3,523,591</u>
Fund Balance-Beginning	5,857,215	1,003,715	1,547,616	4,472,435	12,880,981
Prior Period Adjustments	(474,501)	174,438		(22,954)	(323,017)
Fund Balance - Beginning, as restated	<u>5,382,714</u>	<u>1,178,153</u>	<u>1,547,616</u>	<u>4,449,481</u>	<u>12,557,964</u>
Fund Balances - Ending	<u>\$ 7,720,176</u>	<u>1,750,882</u>	<u>2,418,782</u>	<u>4,191,715</u>	<u>16,081,555</u>

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

**PANOLA COUNTY, MISSISSIPPI**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2013**

**Exhibit 4-1**

Net Changes in Fund Balances - Governmental Funds \$ 3,523,591

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,718,287 exceeded depreciation of \$1,500,888 in the current period. 217,399

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$12,105 and the proceeds from the sale of \$70,765 in the current period. (58,660)

Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. (26,488)

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduced long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$4,858,202 exceeded debt payments of \$1,601,862 in the current period. (3,256,340)

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus the change in net position differs from the change in fund balances by a combination of the following items:

Change in accrued interest payable	26,802
Change in compensated absences	33,309
Refunding of outstanding bond issue	3,980,000
Additions to:	
Deferred charges - bond issuance costs	130,812
Premiums on bonds	(62,994)
Deferred amount on refunding bonds	642,283
The Amortization of:	
Deferred charges - bond issuance costs	(17,489)
Premiums on bonds	1,969
Deferred amount on refunding bonds	<u>(20,071)</u>

Change in Net Position of Governmental Activities \$ 5,114,123

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

**PANOLA COUNTY, MISSISSIPPI**  
**Statement of Net Position – Proprietary Fund**  
**September 30, 2013**

**Exhibit 5**

	<b>Business-type Activities - Enterprise Fund Solid Waste Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 308,039
Accounts receivable (net of allowance for uncollectibles of \$4,590,753)	221,190
Intergovernmental receivables	37,872
Other receivables	26,610
Total Current Assets	<u>593,711</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	1,516,205
Total Noncurrent Assets	<u>1,516,205</u>
Total Assets	<u>2,109,916</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	117,413
Due to other funds	14,024
Advances from other funds	220,000
Unearned revenue	81,932
Capital debt:	
Capital leases payable	322,799
Total Current Liabilities	<u>756,168</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	969,618
Non-capital debt:	
Compensated absences payable	17,959
Total Noncurrent Liabilities	<u>987,577</u>
Total Liabilities	<u>1,743,745</u>
<b>NET POSITION</b>	
Net Investment in capital assets	223,788
Restricted for public works	142,383
Total Net Position	<u>\$ 366,171</u>

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

**PANOLA COUNTY, MISSISSIPPI**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Position – Proprietary Fund**  
**For the Year Ended September 30, 2013**

**Exhibit 6**

	<b>Business-type Activities - Enterprise Fund Solid Waste Fund</b>
Operating Revenues	
Charges for services	\$ 1,984,199
Total Operating Revenues	<u>1,984,199</u>
Operating Expenses	
Personal services	604,093
Contractual services	506,644
Materials and supplies	601,581
Depreciation expense	<u>374,110</u>
Total Operating Expenses	<u>2,086,428</u>
Operating Income (Loss)	<u>(102,229)</u>
Nonoperating Revenues (Expenses)	
Interest Income	1,011
Intergovernmental grants	40,022
Gain on sale of capital assets	186,377
Interest Expense	(23,414)
Loss on sale of capital assets	(3,738)
Other income	725
Transfers In	<u>14,010</u>
Net Non-Operating Revenue (Expenses)	<u>214,993</u>
Changes in Net Position	<u>112,764</u>
Net Position - Beginning, as previously reported	80,407
Prior period adjustments	<u>173,000</u>
Net Position - Beginning, as restated	<u>253,407</u>
Net Position - Ending	<u>\$ 366,171</u>

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

**PANOLA COUNTY, MISSISSIPPI**  
**Statement of Cash Flows – Proprietary Fund**  
**For the Year Ended September 30, 2013**

**Exhibit 7**

	<u>Business-type Activities - Enterprise Fund Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,963,472
Payments to suppliers	(1,112,438)
Payments to employees	(611,090)
Net Cash Provided (Used) by Operating Activities	<u>239,944</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	40,022
Cash paid to other funds:	
Interfund loan repayments	(65,653)
Other receipts	14,735
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(10,896)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	323,191
Acquisition of capital assets	(820,657)
Proceeds from long-term debt	659,420
Principal paid on long-term debt	(504,211)
Interest paid on debt	(23,414)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(365,671)</u>
Cash Flows From Investing Activities	
Interest on investments	1,011
Net Cash Provided (Used) by Investing Activities	<u>1,011</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(135,612)
Cash and Cash Equivalents at Beginning of Year	443,651
Cash and Cash Equivalents at End of Year	<u>308,039</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	(102,229)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	374,110
Provision for uncollectible accounts	(13,287)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	(17,828)
Increase (decrease) in claims payable	(4,148)
Increase (decrease) in compensated absences liability	(7,062)
Increase (decrease) in unearned revenue	10,388
Total Adjustments	<u>342,173</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 239,944</u>

**Noncash Capital Financing Activity:**

Panola County lease purchased mobile equipment for \$659,420 for 5 years at 1.67% interest.  
Principal payments of \$504,211 were made on lease payments during the year.

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

PANOLA COUNTY, MISSISSIPPI .  
Statement of Fiduciary Net Position  
September 30, 2013

Exhibit 8

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash	<u>\$ 307,104</u>
Total Assets	<u>307,104</u>
 <b><u>LIABILITIES</u></b>	
Amounts held in custody for others	286,702
Intergovernmental Payables	<u>20,402</u>
Total Liabilities	<u>\$ 307,104</u>

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

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- \* Bynum Fire District
- \* Cole's Point Fire District
- \* Curtis Fire Department
- \* Mt. Olivett Fire Department
- \* Red Hill Fire District
- \* Sardis Lower Lake Fire District
- \* Pope Volunteer Fire District
- \* Pleasant Grove Fire District
- \* Union Fire District
- \* North Panola Utility District
- \* Longtown Fire District
- \* Long Creek Sewer District

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

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

B. Individual Component Unit Disclosures.

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units' balances and transactions are blended with the balances and transactions of the primary government.

The Panola County Civic Improvement Corporation is comprised solely of the five members of the Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct the county's new jail building.

The Panola County Industrial Authority is a legally separate entity, organized by a local and private bill to provide for land acquisitions and improvements for industrial development purposes. Its five-member board of commissioners is appointed by the Board of Supervisors.

The Panola County Economic Development District is comprised solely of the five members of the Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance a substation for industries in the county.

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

C. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

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

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

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental funds:

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

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

Bridge Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge maintenance.

The county reports the following major Proprietary fund:

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance account in General Fund if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Capital Assets.

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

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

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

J. 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.

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

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. Bond premiums as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

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

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

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

Fund Financial Statements:

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

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

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

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

*Assigned fund balance* includes amounts that are constrained by the county's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the County Administrator.

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

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

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

O. Changes in Accounting Standards.

Panola County adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, during the fiscal year changing the source of guidance for accounting and financial reporting. They also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the year ended September 30, 2013. Statement No. 63 added new classifications on the statements of position and changed net assets to net position. These statements did not significantly impact any amounts reported in the financial statements.

(2) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
<b>Governmental Activities:</b>	
To correct errors in interfund advances	\$ (323,017)
Total prior period adjustments	<u>\$ (323,017)</u>
<b>Business-type Activities:</b>	
To correct errors in interfund advances	\$ 173,000
Total prior period adjustments	<u>\$ 173,000</u>

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

Exhibit 4 - Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

<u>Explanation</u>	<u>Amount</u>
To correct errors in interfund advances	\$ (323,017)
Total prior period adjustments	<u>\$ (323,017)</u>

Exhibit 6 - Statement of Revenues, Expenditures, and Changes in Fund Balances - Proprietary Funds

<u>Explanation</u>	<u>Amount</u>
To correct errors in interfund advances	173,000
Total prior period adjustments	<u>\$ 173,000</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2013, was \$16,884,601 and the bank balance was \$17,087,774. 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 Depository Insurance Corporation (FDIC).

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

Investments:

Investments balances at September 30, 2013 are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Certificate of Deposit	11 months	\$ 70,002	None
Total		<u>\$ 70,002</u>	

**Interest Rate Risk.** The county does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Mississippi Code Ann. (1972) limits the maturity period of any investment to no more than one year.

**Credit Risk.** State law limits investments to those authorized by Section 19-9-29, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

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

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013.

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 11,047
General Fund	Solid Waste	14,024
Countywide Road Maintenance	General	96,681
Bridge	General	66,413
Other Governmental Funds	General	<u>61,011</u>
Total		<u>\$ 249,176</u>

The receivables represent the tax revenue collected but not settled until October, 2013 and indirect cost, as well as funds paid to various funds to alleviate funding shortages. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Countywide Road Maintenance	\$ 161,658
General	Solid Waste	<u>220,000</u>
Total		<u>\$ 381,658</u>

The balances represent funds advanced to various funds to alleviate funding shortages. All interfund balances are not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 11,599
Other Governmental Funds	General	424,755
Other Governmental Funds	Other Governmental Funds	42,709
Solid Waste	General	<u>14,010</u>
Total		<u>\$ 493,073</u>

The principal purpose of interfund transfers was to provide funds for grant matches or provide funds for operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

(5) Intergovernmental Receivables.

Intergovernmental Receivables at September 30, 2013, consisted of the following

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tag credit	\$ 143,448
Emergency Management Performance Grant	30,190
School resource officer	28,264
Lieu tax	89,188
Youth court	645
Housing prisoners	29,362
Patrolling at lake	2,819
Triad Grant	4,500
Joint Law Enforcement Operation	9,430
Delta Regional Development	3,960
North Delta Planning District	3,226
Edward Byrne memorial justice assistance grant program	18,774
Neighborhood watch grant	2,393
Reimbursement for coroner fees	2,170
Reimbursement for 911 dispatcher	200
Land patent refund	<u>1,365</u>
Total Governmental Activities	<u>\$ 369,934</u>
<b>Business-type Activities:</b>	
Town of Sardis	\$ 6,272
City of Batesville	25,134
Town of Como	3,657
Town of Crenshaw	<u>2,809</u>
Total Business-type Activities	<u>\$ 37,872</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2013, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Batesville Apartment Homes IV, LLC	8/16/2006	1%	8/18/2056	\$ 819,500

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013.

**Governmental Activities:**

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept.30, 2013
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 1,374,331				1,374,331
Construction in progress	-	899,481		(769,062)	130,419
<b>Total Non Depreciable Capital Assets</b>	<b>1,374,331</b>	<b>899,481</b>	<b>0</b>	<b>(769,062)</b>	<b>1,504,750</b>
<b>Depreciable Capital Assets:</b>					
Infrastructure	107,367,873			201,712	107,569,585
Buildings	12,079,471			567,350	12,646,821
Improvements other than buildings	1,841,650				1,841,650
Mobile equipment	6,792,355	224,055	234,260	94,898	6,877,048
Furniture and equipment	1,923,696	51,549			1,975,245
Leased property under capital leases	2,318,851	543,202		(94,898)	2,767,155
<b>Total depreciable capital assets</b>	<b>132,323,896</b>	<b>818,806</b>	<b>234,260</b>	<b>769,062</b>	<b>133,677,504</b>
<b>Less accumulated depreciation for:</b>					
Infrastructure	70,635,711	331,304			70,967,015
Buildings	3,799,140	212,046			4,011,186
Improvements other than buildings	598,333	73,666			671,999
Mobile equipment	4,602,891	429,117	175,600	85,409	4,941,817
Furniture and equipment	1,551,172	88,011			1,639,183
Leased property under capital leases	422,361	366,744		(85,409)	703,696
<b>Total Accumulated Depreciation</b>	<b>81,609,608</b>	<b>1,500,888</b>	<b>175,600</b>	<b>0</b>	<b>82,934,896</b>
<b>Total Depreciable Capital Assets - Net</b>	<b>50,714,288</b>	<b>(682,082)</b>	<b>58,660</b>	<b>769,062</b>	<b>50,742,608</b>
<b>Governmental Activities Cap. Assets-Net</b>	<b>\$ 52,088,619</b>	<b>217,399</b>	<b>58,660</b>	<b>-</b>	<b>52,247,358</b>

**Business-type Activities:**

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept.30,2013
<b>Depreciable Capital Assets:</b>					
Buildings	\$ 201,428				201,428
Improvements other than buildings	38,069				38,069
Mobile equipment	357,186	21,953		62,508	441,647
Furniture and equipment	74,973	84,284	37,383		121,874
Leased property under capital leases	1,544,215	714,420	488,628	(62,508)	1,707,499
<b>Total Depreciable Capital Assets</b>	<b>2,215,871</b>	<b>820,657</b>	<b>526,011</b>	<b>0</b>	<b>2,510,517</b>
<b>Less accumulated depreciation for:</b>					
Buildings	44,314	4,029			48,343
Improvements other than buildings	16,750	1,523			18,273
Mobile equipment	305,588	21,883		33,755	361,226
Furniture and equipment	41,800	15,669	33,645		23,824
Leased property under capital leases	597,209	331,006	351,814	(33,755)	542,646
<b>Total accumulated depreciation</b>	<b>1,005,661</b>	<b>374,110</b>	<b>385,459</b>	<b>0</b>	<b>994,312</b>
<b>Total depreciable capital assets, net</b>	<b>1,210,210</b>	<b>446,547</b>	<b>140,552</b>	<b>-</b>	<b>1,516,205</b>
<b>Business-type activities cap. Assets, net</b>	<b>\$ 1,210,210</b>	<b>\$ 446,547</b>	<b>\$ 140,552</b>	<b>\$ -</b>	<b>\$ 1,516,205</b>

\*Adjustments were made to transfer paid out leased property to mobile equipment and furniture and equipment, to transfer completed construction in progress to infrastructure, and to correct prior years' errors.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental activities:</b>	
General government	\$ 45,516
Public safety	496,121
Public works	920,174
Health and welfare	39,077
<b>Total governmental activities depreciation expense</b>	<b>\$ 1,500,888</b>
<b>Business-type activities:</b>	
Solid waste	\$ 374,110

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013 to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The county leases the following property with varying terms and options as of September 30, 2013:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 2,621,718	\$ 1,707,499
Furniture and equipment	145,437	
Less: Accumulated depreciation	<u>703,696</u>	<u>542,646</u>
Leased Property Under Capital Leases	<u>\$ 2,063,459</u>	<u>\$ 1,164,853</u>

The following is a schedule by years of the total payments due as of September 30, 2013:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 575,080	32,700	\$ 322,799	25,342
2015	554,023	22,295	329,868	18,168
2016	664,296	12,529	283,286	11,261
2017	341,663	4,663	220,176	5,685
2018	<u>12,466</u>	<u>216</u>	<u>136,288</u>	<u>2,276</u>
Total	<u>\$ 2,147,528</u>	<u>72,403</u>	<u>\$ 1,292,417</u>	<u>62,732</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
1998 Series A refunding bonds	\$ 520,000	4.35%	11/2014
2009 Series road and bridge bonds	600,000	3.25%	07/2014
GE project bonds	3,760,000	4.00/5.50%	03/2025
GO Refunding Bonds Jail 2013	<u>4,060,000</u>	2.00/2.625%	08/2026
Total General Obligation Bonds:	<u>\$ 8,940,000</u>		

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

<b>B. Capital Leases:</b>			
Hydraulic excavator	75,372	3.17%	08/2015
Backhoe	27,729	3.07%	10/2013
Boat	29,466	3.27%	11/2016
5 Heart Monitors/Defibrillators	46,197	2.90%	07/2013
4 Motor graders	696,241	1.58%	05/2017
7 Mack dump trucks	729,321	1.58%	05/2017
Road widener machine	173,795	1.61%	05/2017
Patch truck	60,247	1.73%	10/2017
2013 Chevy Tahoes	157,674	1.61%	08/2017
6 Chevy Tahoes	151,486	1.68%	12/2016
<hr/>			
Total Capital Leases	<u>\$ 2,147,528</u>		

**Business-type Activities:**

<b>Capital Leases:</b>			
Little Kenworth truck	32,210	3.18%	08/2015
Garbage Truck	91,961	3.18%	11/2015
2 Roll off garbage trucks	173,426	3.04%	08/2016
Garbage Truck	165,388	1.73%	07/2017
2 Roll off garbage trucks	170,012	1.88%	04/2017
2 Peterbuilt garbage trucks	659,420	1.67%	02/2018
<hr/>			
Total Capital Leases	<u>\$ 1,292,417</u>		

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

**Governmental Activities:**

<u>Year Ended September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,350,000	306,878
2015	780,000	260,158
2016	540,000	239,093
2017	560,000	221,669
2018	580,000	202,143
2019-2023	3,265,000	681,049
2024-2028	1,865,000	98,720
<hr/>		
Total	<u>\$ 8,940,000</u>	<u>2,009,710</u>

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2013, the amount of outstanding debt was equal to 2.78% of the latest property assessments.

**Advance Refunding** - On May 17, 2013, the county issued \$4,315,000 in general obligation refunding bonds with an average interest rate of 2.00-2.625% to advance refund \$3,980,000 of the following outstanding bond issue:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
Jail Certificate of Participation Series 2007	4.65%	\$ 3,980,000

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

The net proceeds of \$4,622,283 (after payment of \$130,812 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds were considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The county advance refunded the above bonds to reduce its total debt service payments over the next 15 years by almost \$130,804 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$118,748.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments*	Balance Sept.30, 2013	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 353,111		33,309		319,802	
General obligation bonds	5,785,000	4,315,000	1,160,000		8,940,000	1,350,000
Less:						
Deferred amt on refunding		(642,283)	(20,071)		(622,212)	
Add:						
Premiums		62,994	1,969		61,025	
Limited obligation bonds	3,980,000			(3,980,000)		
Capital leases	2,046,188	543,202	441,862		2,147,528	575,080
<b>Total</b>	<b>\$ 12,164,299</b>	<b>4,278,913</b>	<b>1,617,069</b>	<b>(3,980,000)</b>	<b>10,846,143</b>	<b>1,925,080</b>

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments	Balance Sept.30, 2013	Amount due within one year
<b>Business-type Activities:</b>						
Compensated absences	\$ 25,021		7,062		17,959	
Capital leases	1,137,208	659,420	504,211		1,292,417	322,799
<b>Total</b>	<b>\$ 1,162,229</b>	<b>659,420</b>	<b>511,273</b>	<b>0</b>	<b>1,310,376</b>	<b>322,799</b>

\*The adjustment to general obligation bonds was for the amounts outstanding on bonds that were refunded in the current year.

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Countywide Road Maintenance Fund, Bridge Fund, Narcotics Task Force, Industrial Park Construction, E911 Fund, Volunteer Fire Fund, and Solid Waste Fund.

(11) Deficit Fund Balances/Net Position of Individual Funds.

The following funds reported deficits in fund balances/net position at September 30, 2013

Fund	Deficit Amount
Jag Grant	\$ 1,329
Airport Grant	1,000
Road Bond	76,407

(12) Contingencies.

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

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

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

(13) Joint Venture.

The county participates in the following joint venture:

Panola County is a participant with the counties of DeSoto, Lafayette, Tate and Tunica in a joint venture, authorized by section 39-3-9, Miss. Code Ann. (1972), to operate the First Regional Library. This joint venture was created to provide library services and is governed by a five-member board, with each county appointing one member. The county appropriated \$308,081 for support of the library in fiscal year 2013. Complete financial statements for the First Regional Library can be obtained from P. O. Box 386, Hernando, Mississippi 38632.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

North Delta Planning and Development District is composed of the counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Panola County Board of Supervisors appoints 4 of the 30 members of the board of directors. The county appropriated and made a payment of \$77,000 for support of the district in fiscal year 2013.

The Yazoo-Mississippi Water Management District operates in a district composed of the counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington, and Yazoo. The Panola County Board of Supervisors appoints 1 of the 21 members of the board of commissioners. The county levied a .71 mil tax which resulted in \$4,209 to help support the district in the fiscal year 2013.

Northwest Mississippi Community College operates in a district composed of the counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica, and Yalobusha. The Panola County Board of Supervisors appoints 2 of the 23 members of the college board of trustees. The county appropriated \$516,092 for maintenance and support of the college in fiscal year 2013.

Mid-State Opportunity, Inc. operates in a district composed of the counties of DeSoto, Panola, Quitman, Tallahatchie, Tate, and Tunica. The Panola County Board of Supervisors appoints 2 of the 30 board members, with 10 members coming from the business sector and 10 members coming from the minority disadvantaged. The county did not appropriate any funds for support of the agency in fiscal year 2013.

Communicare operates in a district composed of the counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate, and Yalobusha. The Panola County Board of Supervisors appoints 1 of the 7 members of the board of commissioners. The county appropriated \$39,000 for support of the agency in fiscal year 2013.

(15) Defined Benefit Pension Plan.

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

**Funding Policy.** At September 30, 2013, PERS members are required to contribute 9.00% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2013, was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the year ended September 30, 2013, 2012, and 2011 were \$904,337, \$756,197 and \$701,806 respectively, equal to the required contributions for each year.

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2013**

(16) 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 Panola County evaluated the activities of the county through September 25, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

On March 3, 2014 the County entered into a lease purchase agreement of \$286,500 with Hancock Bank at 1.68% for radio equipment.

On June 9, 2014 the County authorized the issuance of a \$1,200,000 General Obligation Note for construction, repair and renovation of county roads, highways and bridges.

On July 7, 2014 the County entered into a lease purchase of \$845,400 with Hancock Bank at 1.68% for a dump truck.

Two leases with Hancock Bank were executed in September of 2014. One for a 22-yard garbage truck for \$213,950 and one for a roll-off garbage truck for \$163,841, both at 1.83% interest.

**PANOLA COUNTY, MISSISSIPPI**

**REQUIRED SUPPLEMENTARY INFORMATION**

**PANOLA COUNTY, MISSISSIPPI**  
**Budgetary Comparison Schedule –**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 7,832,052	9,993,044	9,993,044	0
Licenses, commissions and other revenue	512,000	580,844	580,844	0
Fines and forfeitures	388,000	401,288	401,288	0
Intergovernmental revenues	904,200	927,195	927,195	0
Charges for services	480,400	508,722	508,722	0
Interest income	5,025	15,105	15,105	0
Miscellaneous revenues	229,792	345,896	345,896	0
Total Revenues	<u>10,351,469</u>	<u>12,772,094</u>	<u>12,772,094</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,579,156	4,411,961	4,411,961	0
Public safety	5,550,156	4,733,513	4,733,513	0
Public works	104,561	92,865	92,865	0
Health and welfare	233,900	213,456	213,456	0
Culture and recreation	23,900	22,712	22,712	0
Conservation of natural resources	100,077	94,427	94,427	0
Economic development and assistance	239,500	239,508	239,508	0
Debt service:				0
Principal		261,785	261,785	0
Interest		109,697	109,697	0
Total Expenditures	<u>10,831,250</u>	<u>10,179,924</u>	<u>10,179,924</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(479,781)</u>	<u>2,592,170</u>	<u>2,592,170</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	541,322	501,589	501,589	0
Transfers out	<u>(300,000)</u>	<u>(473,976)</u>	<u>(473,976)</u>	<u>0</u>
Total Other Financing Sources and Uses	<u>241,322</u>	<u>27,613</u>	<u>27,613</u>	<u>0</u>
Net Change in Fund Balance	(238,459)	2,619,783	2,619,783	0
Fund Balances - Beginning	<u>3,658,250</u>	<u>4,770,513</u>	<u>3,617,730</u>	<u>(1,152,783)</u>
Fund Balances - Ending	<u><u>3,419,791</u></u>	<u><u>7,390,296</u></u>	<u><u>6,237,513</u></u>	<u><u>(1,152,783)</u></u>

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

**PANOLA COUNTY, MISSISSIPPI**  
**Budgetary Comparison Schedule –**  
**Budget and Actual (Non-GAAP Basis)**  
**Countywide Road Maintenance Fund**  
**For the Year Ended September 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	1,839,841	1,757,821	1,757,821	0
Road and bridge privilege taxes		444,850	444,850	0
Intergovernmental revenues	696,000	829,131	829,131	0
Interest income	4,000	6,306	6,306	0
Miscellaneous revenues	6,700	14,646	14,646	0
	<u>2,546,541</u>	<u>3,052,754</u>	<u>3,052,754</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	2,479,443	2,150,122	2,150,122	0
Debt service:				
Principal	180,305	172,495	172,495	0
Interest		13,078	13,078	0
Total Expenditures	<u>2,659,748</u>	<u>2,335,695</u>	<u>2,335,695</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(113,207)</u>	<u>717,059</u>	<u>717,059</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		14,010	14,010	0
Transfers out	<u>(365,540)</u>	<u>(424,250)</u>	<u>(424,250)</u>	<u>0</u>
Total Other Financing Sources and Uses	<u>(365,540)</u>	<u>(410,240)</u>	<u>(410,240)</u>	<u>0</u>
Net Change in Fund Balance	(478,747)	306,819	306,819	0
Fund Balances - Beginning	<u>1,541,627</u>	<u>1,570,719</u>	<u>1,820,669</u>	<u>249,950</u>
Fund Balances - Ending	<u>1,062,880</u>	<u>1,877,538</u>	<u>2,127,488</u>	<u>249,950</u>

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

**PANOLA COUNTY, MISSISSIPPI**  
**Budgetary Comparison Schedule –**  
**Budget and Actual (Non-GAAP Basis)**  
**Bridge Fund**  
**For the Year Ended September 30, 2013**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,653,757	2,003,212	2,003,212	0
Interest income	1,000	6,216	6,216	0
Total Revenues	<u>1,654,757</u>	<u>2,009,428</u>	<u>2,009,428</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	906,701	821,048	821,048	0
Debt service:				0
Principal	285,341	247,455	247,455	0
Interest		19,688	19,688	0
Total Expenditures	<u>1,192,042</u>	<u>1,088,191</u>	<u>1,088,191</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>462,715</u>	<u>921,237</u>	<u>921,237</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				0
Transfers out		-	-	0
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>
Net Change in Fund Balance	462,715	921,237	921,237	0
Fund Balances - Beginning	<u>1,452,052</u>	<u>1,495,353</u>	<u>1,495,353</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,914,767</u>	<u>2,416,590</u>	<u>2,416,590</u>	<u>0</u>

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

**PANOLA COUNTY, MISSISSIPPI**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2013**

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Bridge Fund</u>
Budget (Cash Basis)	\$ 2,619,783	306,819	\$ 921,237
Increase (Decrease)			
Net adjustments for revenue accruals	4,317,115	489,124	1,845
Net adjustments for expenditure accruals	<u>(4,599,436)</u>	<u>(223,214)</u>	<u>(51,916)</u>
GAAP Basis	<u>\$ 2,337,462</u>	<u>572,729</u>	<u>871,166</u>

**PANOLA COUNTY, MISSISSIPPI**

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**PANOLA COUNTY, MISSISSIPPI**

**SUPPLEMENTAL INFORMATION**

**PANOLA COUNTY, MISSISSIPPI**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2013**

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Defense/ Payments to states in lieu of real estate taxes (Direct Award)	12.112	N/A	<u>71,252</u>
U. S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii	14.228	1125-08-054-ED-01	70,607
Home investment partnership program	14.239	1223-M11-SG-280-10209	<u>94,500</u>
Total U. S. Department of Housing and Urban Development			<u>165,107</u>
U.S. Department of Justice Joint Law Enforcement Operation	16.111		21,617
Joint Law Enforcement Operation	16.111		<u>27,000</u>
Total Joint Law Enforcement Operation			<u>48,617</u>
U. S. Department of Justice * Edward Byrne memorial justice assistance grant program (Direct Award)	16.738		809
Passed-through the Mississippi Department of Public Safety * Edward Byrne memorial justice assistance grant program	16.738	10NM1542	112,816
* Edward Byrne memorial justice assistance grant program	16.738	2012-DJ-BX-0357	<u>10,587</u>
Total Edward Byrne memorial justice assistance grant program			<u>124,212</u>
<b>Total U. S. Department of Justice</b>			<u>172,829</u>
U. S. Department of Transportation * Airport Improvement Program (Direct Award)	20.106	N/A	511,995
Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 076 B(54)	<u>26,680</u>
<b>Total U. S. Department of Transportation</b>			<u>538,675</u>
Delta Regional Authority Direct program through Delta Regional Authority Delta Regional Development	90.200		<u>7,185</u>
U. S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	FEMA-1916-DR-MS	<u>25,734</u>
U. S. Department of Homeland Security/Passed-through the Mississippi Department of Public Safety - Office of Homeland Security Emergency Management Performance Grant	97.042	13EMPG	<u>30,190</u>
U. S. Department of Homeland Security/Passed-through the Mississippi Department of Public Safety - Office of Homeland Security Homeland security grant program	97.067	10HS054	30,329
Homeland security grant program	97.067	11HS054	1,857
Homeland security grant program	97.067	10CC054	<u>536</u>
Total Homeland Security Grant Program			<u>32,722</u>
<b>Total U. S. Department of Homeland Security</b>			<u>88,646</u>
Total Expenditures of Federal Awards			<u>1,043,694</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Account Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

\* Denotes major federal award program.

**PANOLA COUNTY, MISSISSIPPI**

**OTHER INFORMATION**

**PANOLA COUNTY, MISSISSIPPI**  
**Schedule of Surety Bonds for County Officials**  
**September 30, 2013**

Surety bonds in force at September 30, 2013 were as follows:

<u>Name</u>	<u>Position</u>	<u>Insurance Company</u>	<u>Bond</u>
James Birge	Supervisor District 1	Liberty Mutual	\$100,000
Vernice Avant	Supervisor District 2	Western Surety Company	\$100,000
John Thomas	Supervisor District 3	Liberty Mutual	\$100,000
Kelly Morris	Supervisor District 4	Old Republic Surety	\$100,000
Cole Flint	Supervisor District 5	Liberty Mutual	\$100,000
Jim Pitcock	Chancery Clerk	Western Surety Company	\$100,000
Kelley Magee	County Administrator	Liberty Mutual	\$100,000
Melissa Meek Phelps	Circuit Clerk	Liberty Mutual	\$100,000
David Garner	Tax Assessor/Collector	Liberty Mutual	\$100,000
Dennis Darby	Sheriff	Liberty Mutual	\$100,000
Mike Wilson	Justice Court Judge	Old Republic Surety	\$100,000
Willie Joiner	Justice Court Judge	Old Republic Surety	\$100,000
Jada Miller	Justice Court Judge	Old Republic Surety	\$50,000
Linda Lyons	Justice Court Judge	Old Republic Surety	\$50,000
Eric Harris	Constable	Old Republic Surety	\$50,000
Raye Hawkins	Constable	Old Republic Surety	\$50,000
Andriara Cauthen	Purchase Clerk	Western Surety Company	\$75,000
Robie Haley	Asst. Purchase Clerk	Old Republic Surety	\$50,000
Tom Austin	Receiving Clerk	Liberty Mutual	\$75,000
Sandra Copeland	Receiving Clerk	Old Republic Surety	\$50,000
Judy Tutor	Receiving Clerk	Old Republic Surety	\$50,000
Janice Dodd	Receiving Clerk	Liberty Mutual	\$50,000
Gail Cauthen	Receiving Clerk	FCC	\$50,000
Kathy Wilson	Receiving Clerk	Old Republic Surety	\$50,000
Arlene Wilson	Receiving Clerk	Old Republic Surety	\$50,000
Gwen Pollard	Receiving Clerk	Liberty Mutual	\$50,000
Stella Lee	Receiving Clerk	Old Republic Surety	\$50,000
Jennifer Jackson	Receiving Clerk	Old Republic Surety	\$50,000
Glenda Hill	Inventory Clerk	Liberty Mutual	\$75,000
Lygunnah Bean	Road Manager	Old Republic Surety	\$50,000
Deputy Tax Collectors	Deputy Tax Collectors	Liberty Mutual	* \$50,000/ea
Deputy Tax Assessor	Deputy Tax Assessor	American States Insurance	* \$10,000/ea
Sheriff's Deputies	Sheriff's Deputies	Old Republic Surety	\$50,000/ea

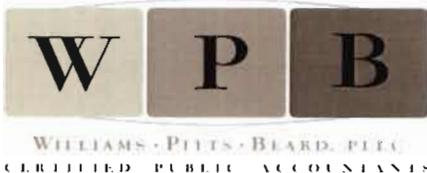
\* See finding in the Limited Internal Control and Compliance Review Management Report.

**PANOLA COUNTY, MISSISSIPPI**

**SPECIAL REPORTS**

**PANOLA COUNTY, MISSISSIPPI**

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

Board of Supervisors and Management  
Panola County  
Batesville, 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 Panola County, Mississippi ("the County") as of and for the year ended, September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 22, 2014. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and one significant deficiency.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 13-1, 13-2 and 13-3 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 accompanying Schedule of Findings and Questioned Costs as 13-4 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However we noted certain immaterial instances of noncompliance which we have reported to the management of Panola County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated September 22, 2014, included within this document.

### **Panola County's Responses to Findings**

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

### **Purpose of this Report**

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

*Williams, Pitts & Beard, PLLC*

Williams, Pitts and Beard, PLLC  
Hernando, Mississippi  
September 22, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Supervisors and Management  
Panola County, Mississippi  
Batesville, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Panola County, Mississippi ("the County"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended September 30, 2013. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs

**Management's Responsibility**

Management is responsible for compliance with requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Panola County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the County's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Panola County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

**Report on Internal Control over Compliance**

Management of Panola County, Mississippi is responsible for establishing and maintaining effective internal control

over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Williams, Pitts & Beard, PLLC*  
Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
September 22, 2014



WILLIAMS - PITTS - BEARD, PLLC  
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**INDEPENDENT AUDITORS' REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Board of Supervisors and Management  
Panola County, Mississippi

We have examined Panola County, Mississippi's ("the County") compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Panola County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, the County complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
September 22, 2014

**PANOLA COUNTY, MISSISSIPPI**  
**Schedule of Purchases Not Made From the Lowest Bidder**  
**For the Year Ended September 30, 2013**

**Schedule 1**

Our test results did not identify any purchases not made from the lowest bidder.

**PANOLA COUNTY, MISSISSIPPI**  
**Schedule of Emergency Purchases**  
**For the Year Ended September 30, 2013**

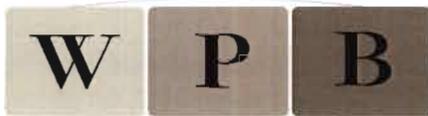
**Schedule 2**

Our test results did not identify any emergency purchases.

**PANOLA COUNTY, MISSISSIPPI**  
**Schedule of Purchases Made Noncompetitively From a Sole Source**  
**For the Year Ended September 30, 2013**

**Schedule 3**

Our test results did not identify any purchases made non competitively from a sole source.



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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Panola County, Mississippi

In planning and performing our audit of the financial statements of Panola County, Mississippi for the year ended September 30, 2013, we considered Panola County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Panola County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 22, 2014, on the financial statements of Panola County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas and immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

### 1. Deputy Tax Assessors

Finding- Section 27-1-3 Miss. Code Ann. (1972) states the assessor may, with the approval of the board of supervisors of the county, appoint deputies, who shall take the oath of office, and shall be required by the assessor to give bond to him in an amount not less than Ten Thousand Dollars (\$10,000) for the faithful discharge of their duties. During audit test work, we noted: Deputy Tax Assessors had an indefinite bond of \$10,000. These bonds were renewed on January 1, 2014 for an annual term.

### 2. Deputy Tax Collectors

Finding- Section 27-1-9 Miss. Code Ann. (1972) states each deputy tax collector shall give bond to be payable, conditioned and approved as provided by law in an amount not less than Fifty Thousand Dollars (\$50,000.00) for the faithful discharge of his duties. During audit test work, we noted: The deputy tax collectors had indefinite bonds for \$50,000. Effective February, 2014 this bond now has a fixed expiration date.

3. Sheriff

Finding- Section 25-7-19(2) Miss. Code Ann. (1972) states the sheriff shall keep a complete account of every fee of every nature, commission or charge collected by him, and shall file an itemized statement thereof monthly, under oath, with the clerk of the board of supervisors of his county who shall preserve same as a part of the records of his office, and he shall make a remittance to the clerk of the board of supervisors of his county on or before the fifteenth of each month for deposit into the general fund of the county of all said fees, commissions and charges collected during the preceding month. During audit test work, we noted: Sheriff was not remitting to the county by the fifteenth of each month.

Recommendation- Sheriff shall make a remittance to the clerk of the board of supervisors of the county on or before the fifteenth of each month.

Response- Sheriff will make a remittance to the clerk of the board of supervisors on or before the fifteenth of each month.

4. Circuit Clerk

Finding- Page E-109 of the MS County Financial Accounting Manual states separate cash journals are prescribed for criminal and civil collections. The journals are totaled at the end of each month, and settlements are made. During audit test work, we noted: Circuit Clerk did not make settlements each month in 2013.

Recommendation- Circuit Clerk should make settlements at the end of each month.

Response- Circuit Clerk will make settlements at the end of each month.

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

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

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC

Hernando, Mississippi

September 22, 2014

**PANOLA COUNTY, MISSISSIPPI**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2013**

Section 1: Summary of Auditor's Results

**Financial Statements:**

1.	Type of auditor's report issued on the financial statements:	
	Governmental activities	Unmodified
	Business-type activities	Unmodified
	Aggregate discretely presented component units	Adverse
	General fund	Unmodified
	Countywide road maintenance fund	Unmodified
	Bridge fund	Unmodified
	Solid waste fund	Unmodified
	Aggregate remaining fund information	Unmodified

2.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	Yes
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses.	Yes
3.	Noncompliance material to the financial statements noted?	No

**Federal Awards:**

4.	Internal control over major programs:	
	a. Material weakness identified?	No
	b. Significant deficiency identified that is not considered to be a material weakness?	None Reported
5.	Type of auditors' report issued on compliance for major federal programs:	Unmodified
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
7.	Federal programs identified as major:	
	a. Edward Byrne memorial justice assistance grant program, CFDA 16.738	
	b. Airport Improvement Program CFDA 20.106	

**PANOLA COUNTY, MISSISSIPPI**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2013**

8.	The dollar threshold used to distinguish between type A and type B programs:	\$300,000 _____
9.	Auditee qualified as a low-risk auditee?	No _____
10.	Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section 315(b) of OMB Circular A-133?	No _____

Section 2: Financial Statements Findings

*Material Weaknesses*

*Board of Supervisors*

13-1 Criteria: Generally accepted accounting principles require the financial data of the county's component units to be reported with the financial data of the county's primary government unless the county also issued financial statements for the financial reporting unit that include the financial data for its component units.

Condition: As reported in prior years' audit reports, the financial statements do not include the financial data of the county's component units.

Cause: The component units of the county do not have audited financial statements.

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

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

Response: The Board of Supervisors feels this is not a material weakness because the amount is immaterial to our financial statements. It would be cost prohibitive to require the 10 Volunteer Fire Departments to have audited financial statements prepared.

13-2 Criteria: Review of adjusting journal entries is necessary for proper internal control.

Condition: Adjusting journal entries are made to the general ledger with no observable documentation of review by another person.

Cause: No policy exists to require adjusting journal entries to be reviewed by another person.

Effect: Lack of review of adjusting journal entries could allow the financial statements to be materially misstated.

Recommendation: The County should implement a policy requiring all adjusting journal entries be reviewed. This review should be observable and can be satisfied with the reviewers initials and date. The reviewer should understand their signature indicates that they understand the entry and approve it.

**PANOLA COUNTY, MISSISSIPPI**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2013**

Response: The County Administrator will review all journal entries and journal entries made by County Administrator will be reviewed before made.

*Tax Collector*

13-3 Criteria: An effective system of internal controls should include an adequate segregation of duties.

Condition: As reported in the prior year's audit report, the cash collection and disbursement functions in the Tax Collector offices were not adequately segregated for effective internal controls.

Cause: The Deputy Tax Collector reconciles cash collections and receipts; prepares daily check-up sheets, deposits and monthly settlements; takes deposits to the bank; posts the cash journal; reconciles bank statements; and writes checks for all disbursements.

Effect: The lack of segregation of duties creates an internal control deficiency so that a material misstatement may not be prevented or detected in a timely manner.

Recommendation: The Tax Collector should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Tax Collector offices or that there is external oversight over the operations of the Tax Collector offices.

Response: In the past, we were told the bookkeeper was responsible for all the above mentioned duties. Now we will have the Tax Collector review bank statements and have a deputy tax collector make the deposit and have a different deputy tax collector take the deposit to the bank.

*Significant Deficiency*  
*Land Commission*

13-4 Criteria: Proper segregation of duties is necessary for proper internal control.

Condition: One person was responsible for ensuring all receipts of the planning commission were deposited and settled with the county.

Cause: A policy should be developed to ensure duties are properly segregated.

Effect: Amounts due to the county could be diverted.

Recommendation: Proper segregation of duties would have one person writing checks and reconciling the bank statement and another person making deposits, signing checks and reviewing and approving the bank reconciliation for accuracy. Additionally, total receipts collected for the month should be reconciled to the bank deposits and reviewed by someone else.

Response: This office only has 2 employees but we have tried to segregate the duties and the County Administrator will receive and review the monthly settlement and the bank reconciliation.