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PANOLA COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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PANOLA COUNTY, MISSISSIPPI

FINANCIAL SECTION

Dwight L. Young, Sr., C.P.A.
1918 - 1977

Roger A. Garrett, C.P.A.
1922 - 2008

Dwight L. Young, Jr., C.P.A.



The Dwight L. Young Group

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S 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, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component 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 has not been determined.

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, 2017, 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panola County, Mississippi, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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 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 July 16, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Panola County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Panola County, Mississippi's internal control over financial reporting and compliance.

The Dwight L. Young Group

Oxford, Mississippi
July 16, 2019

PANOLA COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

PANOLA COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

INTRODUCTION

The discussion and analysis of Panola County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2017. The intent of this disclosure and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

Panola County is located in northwest Mississippi. The population is currently estimated at 34,444. The local economic base is driven by manufacturing plants.

FINANCIAL HIGHLIGHTS

Panola County is financially strong. The Panola County Board of Supervisors has committed itself to financial excellence by using sound financial planning, budgeting and strong internal controls.

Panola County continues to show excellent growth economically and the population remains stable. Strong growth has allowed the County to meet its financial obligations.

Total net position increased \$523,568 which represents a 1.11% increase from the prior fiscal year. The County's ending cash balance decreased by \$1,151,851 which represents a 6.27% decrease from the prior fiscal year.

The County had \$24,926,720 in total revenues, which represents a \$1,375,012 or 5.83% increase from the prior fiscal year. Property tax revenues account for \$13,794,016 or 55.34% of total revenues.

The County had \$24,403,152 in total expenses, which represents an increase of \$808,877 or 3.43% increase from the prior fiscal year.

Among major funds, the General Fund had \$11,848,464 in revenues and \$10,976,487 in expenditures. The ending cash balance for the General Fund increased \$78,722 or 0.83% from the prior fiscal year. The

PANOLA COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

Countywide Road Fund had \$6,191,842 in revenues and \$6,044,338 in expenditures. The Countywide Road Fund's ending cash balance decreased \$45,206 or 2.59% from the prior fiscal year. The Bridge Fund had \$1,713,748 in revenues and \$1,713,135 in expenditures. The Bridge Fund's cash balance increased \$182,929 or 7.20% from the prior year.

PANOLA COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

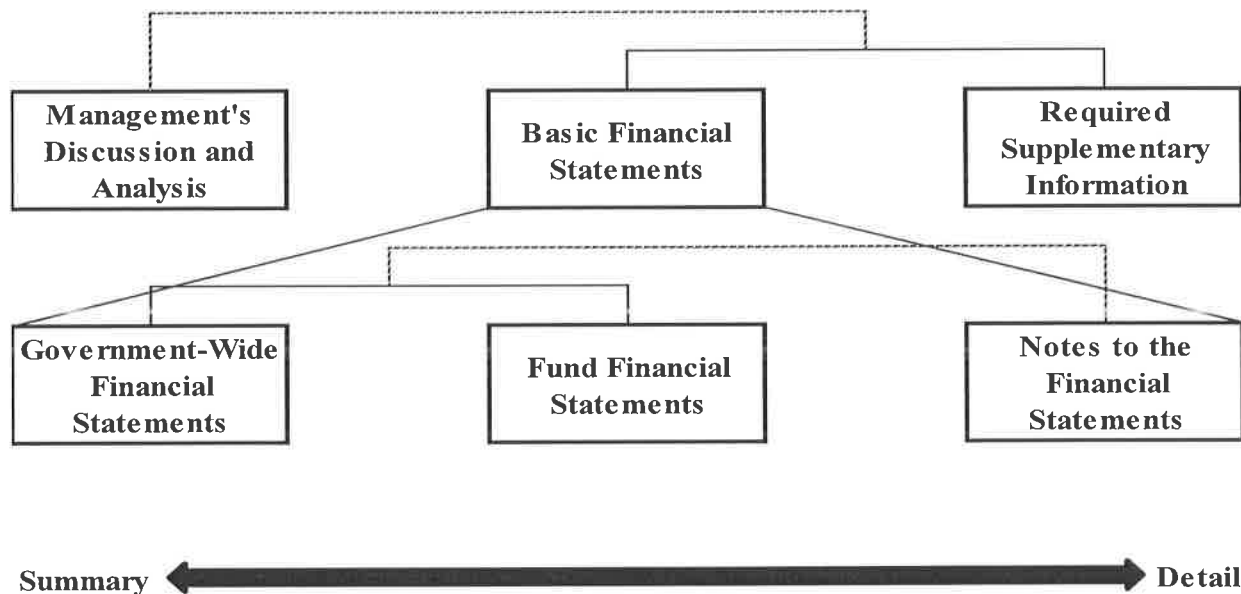


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

PANOLA COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

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

| | Government-Wide Financial Statements | Fund Financial Statements | | |
|--|--|--|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire County Government (except fiduciary funds) and Component Units | All activities of the County that are not business-type or fiduciary in nature | Activities of the County that operate similar to private businesses | The County is the trustee or agent for someone else's resources |
| Required Financial Statements | <ul style="list-style-type: none"> Statement of Net Position Statement of Activities | <ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances | <ul style="list-style-type: none"> Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows | <ul style="list-style-type: none"> Statement of Fiduciary Assets and Liabilities |
| Accounting Basis and Measurement Focus | Accrual Accounting and Economic Resources Focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of Asset/Liability Information | All Assets and Liabilities, both Financial and Capital and Short and Long Term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short and long term | All assets and liabilities, both short and long term |
| Type of Inflow/Outflow Information | All Revenues and Expenses During Year, Regardless of when Cash is Received or Paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | |

PANOLA COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

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

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

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

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

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

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of

PANOLA COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service and capital projects funds.

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

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

Proprietary Funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Garbage Collection Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County does not use any internal service funds.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Garbage Collection Fund is considered to be a major fund of the County.

PANOLA COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

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

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information concerning the County's budget process. The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position - Net Position may serve over time as a useful indicator of a government's financial position. In the case of Panola County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$47,812,448 as of September 30, 2017. This is an increase of \$523,568 or 1.11% when compared to the prior fiscal year.

The largest portions of the County's net position, \$53,089,669 or 111.04% of total net position, reflects its net investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

PANOLA COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Government Funds - At the close of the current fiscal year, Panola County's governmental funds reported a combined fund balance of \$16,436,802, a decrease of \$4,032 or .02% from the prior fiscal year adjusted.

Business-type Funds - Operating Revenue from the County's Garbage Collection Fund decreased by 9.56% to \$2,309,291 and Operating Expenses decreased by 2.94% to \$2,498,238. Nonoperating Revenues (Expenses) decreased by 540.60% to \$(215,479).

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of September 30, 2017, Panola County's total capital assets were \$148,619,267. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$2,769,274 or 1.90%.

Total accumulated depreciation as of September 30, 2017, was \$88,541,026. The balance in total net capital assets was \$60,078,241 at year end.

Debt Administration - At September 30, 2017, Panola County had \$12,087,476 in long-term debt outstanding. Panola County maintains an "A" bond rating from Standard and Poors. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below the 15% limit at 2.11%.

PANOLA COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator's office at the Panola County Chancery Building, 151 Public Square, Batesville, Mississippi 38606, or call 662-563-6200.

PANOLA COUNTY, MISSISSIPPI

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PANOLA COUNTY, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2017

Exhibit 1

| ASSETS | PRIMARY GOVERNMENT | | |
|---|----------------------------|-----------------------------|--------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| Cash | \$17,002,121 | \$ 211,061 | \$17,213,182 |
| Investments | 70,865 | -0- | 70,865 |
| Property Tax Receivable | 11,486,533 | -0- | 11,486,533 |
| Accounts Receivable (Net of Allowance For Uncollectibles of \$4,619,821) | -0- | 177,975 | 177,975 |
| Fines Receivable (Net of Allowance For Uncollectibles of \$2,107,093) | 77,956 | -0- | 77,956 |
| Intergovernmental Receivables | 303,206 | -0- | 303,206 |
| Other Receivables | 43,271 | -0- | 43,271 |
| Internal Balances | 223,310 | (223,310) | -0- |
| Capital Assets: | | | |
| Land and Construction in Progress | 3,148,632 | -0- | 3,148,632 |
| Other Capital Assets, Net | 54,114,462 | 2,815,147 | 56,929,609 |
| TOTAL ASSETS | 86,470,356 | 2,980,873 | 89,451,229 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Amount of Refunding | 429,527 | -0- | 429,527 |
| Deferred Amount Related to Pensions | 1,593,204 | 115,165 | 1,708,369 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 2,022,731 | 115,165 | 2,137,896 |
| LIABILITIES | | | |
| Claims Payable | 59,224 | 8,288 | 67,512 |
| Intergovernmental Payables | 956,752 | -0- | 956,752 |
| Accrued Interest Payable | 30,123 | -0- | 30,123 |
| Amounts Held in Custody for Others | 189,995 | -0- | 189,995 |
| Unearned Revenue | -0- | 188,978 | 188,978 |
| Long-term Liabilities | | | |
| Due within one year: | | | |
| Capital Debt | 684,525 | 669,030 | 1,353,555 |
| Non-capital Debt | 914,652 | -0- | 914,652 |
| Due in more than one year: | | | |
| Capital Debt | 3,861,167 | 1,773,850 | 5,635,017 |
| Non-capital Debt | 3,769,855 | -0- | 3,769,855 |
| Compensated Absences | 378,723 | 35,674 | 414,397 |
| Net Pension Liability | 17,371,657 | 1,397,651 | 18,769,308 |
| TOTAL LIABILITIES | 28,216,673 | 4,073,471 | 32,290,144 |

PANOLA COUNTY, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2017

Exhibit 1

| | PRIMARY GOVERNMENT | | |
|--|---------------------|---------------------|---------------------|
| | GOVERNMENTAL | BUSINESS-TYPE | |
| | ACTIVITIES | ACTIVITIES | TOTAL |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Property Tax for Future Reporting Period | \$11,486,533 | \$ -0- | \$11,486,533 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>11,486,533</u> | <u>-0-</u> | <u>11,486,533</u> |
| <u>NET POSITION</u> | | | |
| Net Investment in Capital Assets | 52,717,402 | 372,267 | 53,089,669 |
| Restricted: | | | |
| Expendable: | | | |
| General Government | 1,243,698 | -0- | 1,243,698 |
| Debt Service | 549,970 | -0- | 549,970 |
| Public Safety | 868,293 | -0- | 868,293 |
| Public Works | 4,674,042 | (1,349,700) | 3,324,342 |
| Economic Development | 458,801 | -0- | 458,801 |
| Unemployment Compensation | 26,501 | -0- | 26,501 |
| Unrestricted | (11,748,826) | -0- | (11,748,826) |
| TOTAL NET POSITION | <u>\$48,789,881</u> | <u>\$ (977,433)</u> | <u>\$47,812,448</u> |

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

PANOLA COUNTY, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Exhibit 2

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSES) REVENUE AND CHANGES IN | | |
|-------------------------------------|--------------|----------------------|--------------------------|----------------------------------|---------------------------------------|---|----------------|
| | | CHARGES FOR SERVICES | OPERATING | | NET POSITION | | |
| | | | GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES | TOTAL |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 4,016,317 | \$ 763,378 | \$ 177,445 | \$ -0- | \$ (3,075,494) | \$ -0- | \$ (3,075,494) |
| Public Safety | 5,988,372 | 936,530 | 208,846 | -0- | (4,842,996) | -0- | (4,842,996) |
| Public Works | 7,660,818 | -0- | 2,581,939 | 1,528,302 | (3,550,577) | -0- | (3,550,577) |
| Health and Welfare | 383,363 | -0- | 63,876 | 21,053 | (298,434) | -0- | (298,434) |
| Culture and Recreation | 27,143 | -0- | -0- | -0- | (27,143) | -0- | (27,143) |
| Education | 10,000 | -0- | -0- | -0- | (10,000) | -0- | (10,000) |
| Conservation of Natural Resources | 96,420 | -0- | -0- | -0- | (96,420) | -0- | (96,420) |
| Economic Development and Assistance | 292,974 | -0- | -0- | -0- | (292,974) | -0- | (292,974) |
| Interest on Long-term Debt | 325,964 | -0- | -0- | -0- | (325,964) | -0- | (325,964) |
| Pension Expense | 2,775,778 | -0- | -0- | -0- | (2,775,778) | -0- | (2,775,778) |
| Total Gov't Activities | 21,577,149 | 1,699,908 | 3,032,106 | 1,549,355 | (15,295,780) | -0- | (15,295,780) |
| Business-Type Activities: | | | | | | | |
| Solid Waste | 2,826,003 | 2,263,827 | -0- | 44,881 | -0- | (517,295) | (517,295) |
| Total Business-Type Activities | 2,826,003 | 2,263,827 | -0- | 44,881 | -0- | (517,295) | (517,295) |
| Total Primary Gov't | \$24,403,152 | \$ 3,963,735 | \$3,032,106 | \$1,594,236 | (15,295,780) | (517,295) | (15,813,075) |

PANOLA COUNTY, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Exhibit 2

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION | | |
|--|------------------|----------------------|---------------------------------------|--|-----------------------------|--------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | PRIMARY GOVERNMENT | | |
| | | | | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| GENERAL REVENUES: | | | | | | |
| Property Taxes | | | | \$13,794,016 | \$ - | \$13,794,016 |
| Road and Bridge Privilege Taxes | | | | 459,159 | -0- | 459,159 |
| Grants and Contributions not Restricted to Specific Programs | | | | 664,732 | -0- | 664,732 |
| Unrestricted Interest Income | | | | 125,264 | 1,882 | 127,146 |
| Miscellaneous | | | | 1,179,499 | 110,987 | 1,290,486 |
| Transfers | | | | 1,104 | -0- | 1,104 |
| Total General Revenues and Transfers | | | | 16,223,774 | 112,869 | 16,336,643 |
| Changes in Net Position | | | | 927,994 | (404,426) | 523,568 |
| Net Position - Beginning | | | | 47,861,887 | (573,007) | 47,288,880 |
| Net Position - Ending | | | | \$48,789,881 | \$ (977,433) | \$47,812,448 |

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

PANOLA COUNTY, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

Exhibit 3

| | <u>MAJOR FUNDS</u> | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>COUNTYWIDE</u> | | | <u>OTHER</u> | <u>TOTAL</u> |
| | <u>GENERAL</u> | <u>ROAD</u> | <u>BRIDGE</u> | <u>GOVERNMENTAL</u> | <u>GOVERNMENTAL</u> |
| | <u>FUND</u> | <u>MAINTENANCE</u> | <u>FUND</u> | <u>FUNDS</u> | <u>FUNDS</u> |
| <u>ASSETS</u> | | | | | |
| Cash | \$ 9,541,806 | \$ 1,702,513 | \$ 2,724,075 | \$ 3,033,727 | \$17,002,121 |
| Investments | -0- | -0- | -0- | 70,865 | 70,865 |
| Property Tax Receivable | 7,385,474 | 1,646,853 | 1,389,255 | 1,064,951 | 11,486,533 |
| Fines Receivable (Net of Allowance for Uncollectibles of \$2,107,093) | 77,956 | -0- | -0- | -0- | 77,956 |
| Intergov't Receivables | 225,505 | 68,211 | -0- | 9,490 | 303,206 |
| Other Receivables | 4,407 | 353 | -0- | 38,511 | 43,271 |
| Due from Other Funds | 250,835 | 111,039 | 76,017 | 67,782 | 505,673 |
| Advances to Other Funds | 13,275 | -0- | -0- | -0- | 13,275 |
| TOTAL ASSETS | <u>\$17,499,258</u> | <u>\$ 3,528,969</u> | <u>\$ 4,189,347</u> | <u>\$ 4,285,326</u> | <u>\$29,502,900</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u> | | | | | |
| <u>LIABILITIES:</u> | | | | | |
| Claims Payable | \$ 13,846 | \$ 8,060 | \$ -0- | \$ 37,318 | \$ 59,224 |
| Intergov't Payables | 956,646 | 106 | -0- | -0- | 956,752 |
| Amounts Held in Custody For Others | 189,995 | -0- | -0- | -0- | 189,995 |
| Due to Other Funds | 254,838 | -0- | -0- | 40,557 | 295,395 |
| Advances from Other Funds | -0- | -0- | -0- | 243 | 243 |
| TOTAL LIABILITIES | <u>1,415,325</u> | <u>8,166</u> | <u>-0-</u> | <u>78,118</u> | <u>1,501,609</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | |
| Unavailable Revenue- Property Taxes | 7,385,474 | 1,646,853 | 1,389,255 | 1,064,951 | 11,486,533 |
| Unavailable Revenue- Fines | 77,956 | -0- | -0- | -0- | 77,956 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>7,463,430</u> | <u>1,646,853</u> | <u>1,389,255</u> | <u>1,064,951</u> | <u>11,564,489</u> |

PANOLA COUNTY, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

Exhibit 3

| | <u>MAJOR FUNDS</u> | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>COUNTYWIDE</u> | | | <u>OTHER</u> | <u>TOTAL</u> |
| | <u>GENERAL</u> | <u>ROAD</u> | <u>BRIDGE</u> | <u>GOVERNMENTAL</u> | <u>GOVERNMENTAL</u> |
| | <u>FUND</u> | <u>MAINTENANCE</u> | <u>FUND</u> | <u>FUNDS</u> | <u>FUNDS</u> |
| FUND BALANCES: | | | | | |
| Non Spendable: | | | | | |
| Advances | \$ 13,275 | \$ -0- | \$ -0- | \$ -0- | \$ 13,275 |
| Restricted for: | | | | | |
| General Government | -0- | -0- | -0- | 438,438 | 438,438 |
| Public Safety | -0- | -0- | -0- | 868,293 | 868,293 |
| Public Works | -0- | 1,873,950 | 2,800,092 | -0- | 4,674,042 |
| Economic Development | | | | | |
| And Assistance | -0- | -0- | -0- | 458,801 | 458,801 |
| Debt Service | -0- | -0- | -0- | 580,093 | 580,093 |
| Unemployment Comp. | -0- | -0- | -0- | 26,501 | 26,501 |
| Assigned for: | | | | | |
| General Government | -0- | -0- | -0- | 805,260 | 805,260 |
| Unassigned | 8,607,228 | -0- | -0- | (35,129) | 8,572,099 |
| TOTAL FUND BALANCES | <u>8,620,503</u> | <u>1,873,950</u> | <u>2,800,092</u> | <u>3,142,257</u> | <u>16,436,802</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$17,499,258</u> | <u>\$ 3,528,969</u> | <u>\$ 4,189,347</u> | <u>\$ 4,285,326</u> | <u>\$29,502,900</u> |

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, 2017

Exhibit 3-1

| | |
|---|---------------------|
| Total Fund Balance-Governmental Funds | \$16,436,802 |
| Amounts reported for Governmental Activities in the Statement of Net Position are Different Because: | |
| Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$87,777,237. | 57,263,094 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds | (9,608,922) |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 77,956 |
| Deferred amount on refunding bonds is not reported in The funds. | 429,527 |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | (30,123) |
| Pension obligations are not due and payable in the current Period and, therefore are not reported in the funds. | (17,371,657) |
| Deferred outflows related to pension obligations are applicable to future periods and, therefore are not reported in the funds. | <u>1,593,204</u> |
| Total Net Position - Governmental Activities | <u>\$48,789,881</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, 2017

Exhibit 4

| | <u>MAJOR FUNDS</u> | | | | |
|---------------------------|--------------------|--------------------|------------------|---------------------|---------------------|
| | <u>COUNTYWIDE</u> | | | <u>OTHER</u> | <u>TOTAL</u> |
| | <u>GENERAL</u> | <u>ROAD</u> | <u>BRIDGE</u> | <u>GOVERNMENTAL</u> | <u>GOVERNMENTAL</u> |
| | <u>FUND</u> | <u>MAINTENANCE</u> | <u>FUND</u> | <u>FUNDS</u> | <u>FUNDS</u> |
| <u>REVENUES</u> | | | | | |
| Property Taxes | \$ 9,075,309 | \$ 1,623,346 | \$ 1,688,637 | \$ 1,420,849 | \$13,808,141 |
| Road and Bridge | | | | | |
| Privilege Taxes | -0- | 459,159 | -0- | -0- | 459,159 |
| Licenses, Commissions, | | | | | |
| & Other Revenue | 567,011 | -0- | -0- | 14,804 | 581,815 |
| Fines & Forfeitures | 256,910 | -0- | -0- | 9,601 | 266,511 |
| Intergov't Revenues | 955,204 | 4,079,780 | -0- | 211,209 | 5,246,193 |
| Charges for Services | 438,619 | -0- | -0- | 438,272 | 876,891 |
| Interest Income | 55,681 | 14,542 | 25,111 | 29,930 | 125,264 |
| Miscellaneous Revenue | 499,730 | 15,015 | -0- | 640,145 | 1,154,890 |
| TOTAL REVENUES | 11,848,464 | 6,191,842 | 1,713,748 | 2,764,810 | 22,518,864 |
| <u>EXPENDITURES</u> | | | | | |
| Current: | | | | | |
| General Government | 4,143,310 | -0- | -0- | 77,056 | 4,220,366 |
| Public Safety | 6,013,758 | -0- | -0- | 1,576,879 | 7,590,637 |
| Public Works | 81,636 | 5,751,764 | 1,713,135 | 1,200,379 | 8,746,914 |
| Health & Welfare | 214,923 | -0- | -0- | 131,508 | 346,431 |
| Culture & Recreation | 27,143 | -0- | -0- | -0- | 27,143 |
| Education | 10,000 | -0- | -0- | -0- | 10,000 |
| Conservation of | | | | | |
| Natural Resources | 101,912 | -0- | -0- | -0- | 101,912 |
| Economic Development | | | | | |
| Assistance | 282,584 | -0- | -0- | 9,296 | 291,880 |
| Debt Service: | | | | | |
| Principal | 98,984 | 272,070 | -0- | 1,191,440 | 1,562,494 |
| Interest | 2,237 | 20,504 | -0- | 265,083 | 287,824 |
| TOTAL EXPENDITURES | 10,976,487 | 6,044,338 | 1,713,135 | 4,451,641 | 23,185,601 |
| Excess of Revenue Over | | | | | |
| (Under) Expenditures | 871,977 | 147,504 | 613 | (1,686,831) | (666,737) |

PANOLA COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

Exhibit 4

| | MAJOR FUNDS | | | | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | COUNTYWIDE | | | | |
| | GENERAL | ROAD | BRIDGE | OTHER | TOTAL |
| | FUND | MAINTENANCE | FUND | GOVERNMENTAL | GOVERNMENTAL |
| | FUND | FUND | FUND | FUNDS | FUNDS |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-term Capital | | | | | |
| Debt Issued | \$ -0- | \$ -0- | \$ -0- | \$ 231,474 | \$ 231,474 |
| Proceeds from Sale | | | | | |
| Of Capital Assets | -0- | -0- | 430,127 | -0- | 430,127 |
| Transfers In | 15,016 | -0- | -0- | 263,520 | 278,536 |
| Transfers Out | (259,445) | -0- | -0- | (17,987) | (277,432) |
| TOTAL OTHER FINANCING | | | | | |
| SOURCES & USES | (244,429) | -0- | 430,127 | 477,007 | 662,705 |
| NET CHANGES IN FUND | | | | | |
| BALANCES | 627,548 | 147,504 | 430,740 | (1,209,824) | (4,032) |
| Fund Balance-Beginning | 7,992,955 | 1,726,446 | 2,369,352 | 4,352,081 | 16,440,834 |
| Fund Balances-Ending | <u>\$ 8,620,503</u> | <u>\$ 1,873,950</u> | <u>\$ 2,800,092</u> | <u>\$ 3,142,257</u> | <u>\$16,436,802</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, 2017

Exhibit 4-1

Net Changes in Fund Balances - Government Funds \$ (4,032)

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 fund balances
by the amount that capital outlays of \$3,898,310 exceeded
depreciation of \$2,037,661 in the current period. 1,860,649

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 net gain of \$24,609, the loss of \$44,686
and the proceeds from the sale of \$430,127 in the
current period. (450,204)

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. (25,309)

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 payments of \$1,562,494 exceeded debt
proceeds of \$231,474 in the current period. 1,331,020

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, 2017

Exhibit 4-1

Items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

| | |
|--|-------------|
| Recognition of pension expense for the current year | (2,775,778) |
| Recognition of contributions made subsequent to the measurement date | 273,286 |
| Recognition of contributions made prior to the Measurement date | 767,426 |

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 | 5,307 |
| Change in compensated absences | (10,924) |
| The amortization of: | |
| Premium on bonds | 4,724 |
| Deferred amount on refunding bonds | <u>(48,171)</u> |

| | |
|---|-------------------|
| Change in Net Position of Governmental Activities | <u>\$ 927,994</u> |
|---|-------------------|

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

PANOLA COUNTY, MISSISSIPPI
STATEMENT OF NET POSITION - PROPRIETARY FUND
September 30, 2017

Exhibit 5

BUSINESS-TYPE
ACTIVITIES-
ENTERPRISE FUND
SOLID WASTE
FUND

ASSETS

Current Assets:

| | |
|---|----------------|
| Cash | \$ 211,061 |
| Accounts Receivable (Net of Allowance for Uncollectibles of \$4,619,821) | 177,975 |
| Total Current Assets | <u>389,036</u> |

Noncurrent Assets:

Capital Assets:

| | |
|---------------------------|------------------|
| Other Capital Assets, net | 2,815,147 |
| Total Noncurrent Assets | <u>2,815,147</u> |
| Total Assets | <u>3,204,183</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---------------------------------------|----------------|
| Deferred Outflows Related to Pensions | <u>115,165</u> |
|---------------------------------------|----------------|

LIABILITIES

Current Liabilities:

| | |
|----------------------------------|---------|
| Claims Payable | 8,288 |
| Due to Governmental Funds | 210,278 |
| Advances from Governmental Funds | 13,032 |
| Unearned Revenue | 188,978 |

Capital Debt:

| | |
|---------------------------|------------------|
| Capital Leases Payable | 669,030 |
| Total Current Liabilities | <u>1,089,606</u> |

Noncurrent Liabilities:

Capital Debt:

| | |
|------------------------|-----------|
| Capital Leases Payable | 1,773,850 |
|------------------------|-----------|

Non-capital Debt:

| | |
|------------------------------|--------|
| Compensated Absences Payable | 35,674 |
|------------------------------|--------|

Net Pension Liability

| | |
|--|------------------|
| | <u>1,397,651</u> |
|--|------------------|

| | |
|------------------------------|------------------|
| Total Noncurrent Liabilities | <u>3,207,175</u> |
|------------------------------|------------------|

| | |
|-------------------|------------------|
| Total Liabilities | <u>4,296,781</u> |
|-------------------|------------------|

NET POSITION

| | |
|----------------------------------|---------------------|
| Net Investment in Capital Assets | 372,267 |
| Restricted for Public Works | <u>(1,349,700)</u> |
| Total Net Position | <u>\$ (977,433)</u> |

The accompanying notes are integral part of the financial statements.

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

Exhibit 6

BUSINESS-TYPE
ACTIVITIES-
ENTERPRISE FUND
SOLID WASTE
FUND

OPERATING REVENUES

| | |
|----------------------------|--------------|
| Charges for Services | \$ 2,263,827 |
| Intergovernmental Revenues | 44,881 |
| Other income | 583 |
| Total Operating Revenues | 2,309,291 |

OPERATING EXPENSES

| | |
|-------------------------------|-----------|
| Personal Services | 737,010 |
| Contractual Services | 581,822 |
| Materials and Supplies | 493,577 |
| Indirect administrative costs | 10,278 |
| Pension Expense | 229,056 |
| Depreciation Expense | 446,495 |
| Total Operating Expenses | 2,498,238 |

| | |
|-------------------------|-----------|
| Operating Income (Loss) | (188,947) |
|-------------------------|-----------|

NONOPERATING REVENUES (EXPENSES)

| | |
|--------------------------------------|-----------|
| Interest Income | 1,882 |
| Interest Expense | (57,293) |
| Gain on Sale of Capital Assets | 110,404 |
| Loss on Sale of Capital Assets | (270,472) |
| Net Non-Operating Revenue (Expenses) | (215,479) |

| | |
|-------------------------|-----------|
| Changes in Net Position | (404,426) |
|-------------------------|-----------|

| | |
|--------------------------|-----------|
| Net Position - Beginning | (573,007) |
|--------------------------|-----------|

| | |
|-----------------------|--------------|
| Net Position - Ending | \$ (977,433) |
|-----------------------|--------------|

The accompanying notes are integral part of the financial statements.

PANOLA COUNTY, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended September 30, 2017

Exhibit 7

BUSINESS-TYPE
ACTIVITIES-
ENTERPRISE FUND
SOLID WASTE
FUND

| | |
|---|-------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 2,408,142 |
| Receipts from State Government | 52,409 |
| Other revenues | 583 |
| Payments to Suppliers | (1,261,605) |
| Payments to Employees | (809,860) |
| Net Cash Provided (Used) by Operating Activities | <u>389,669</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Proceeds from Sale of Capital Assets | 913,948 |
| Acquisition of Capital Assets | (1,813,436) |
| Proceeds from Interfund Loans | 200,000 |
| Proceeds from Long-term Debt | 1,754,471 |
| Principal Paid on Long-term Debt | (1,351,584) |
| Interest Paid on Long-term Debt | (54,193) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(350,794)</u> |
| Cash Flows from Investing Activities | |
| Interest on Investments | <u>1,882</u> |
| Net Cash Provided (Used) by Investing Activities | <u>1,882</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 40,757 |
| Cash and Cash Equivalents at Beginning of Year | <u>170,304</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 211,061</u> |

PANOLA COUNTY, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended September 30, 2017

Exhibit 7

BUSINESS-TYPE
ACTIVITIES-
ENTERPRISE FUND
SOLID WASTE
FUND

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities:

Operating Income (Loss) \$ (188,947)

Adjustments to Reconcile Operating Income to Net Cash

Provided (Used) by Operating Activities:

Depreciation Expense 446,495

Changes in Assets and Liabilities:

(Increase) Decrease in Accounts Receivable 84,624

(Increase) Decrease in Intergovernmental Receivables 7,528

(Increase) Decrease in Other Receivables 6,227

(Increase) Decrease in Deferred Outflows of Resources 179,280

Increase (Decrease) in Claims Payable (184,353)

Increase (Decrease) in Intergovernmental Payables (153)

Increase (Decrease) in Due to Other Funds 10,278

Increase (Decrease) in Compensated Absences Liability 11,328

Increase (Decrease) in Pension Liability (36,102)

Increase (Decrease) in Unearned Revenue 53,464

Total Adjustments 578,616

Net Cash Provided (Used) by Operating Activities \$ 389,669

Noncash Capital Financing Activity:

Panola County lease purchased mobile equipment for \$48,962 for 2 years at 2.12% interest.

Panola County lease purchased mobile equipment for \$42,324 for 2 years at 1.98% interest.

Panola County lease purchased mobile equipment for \$1,663,185 for 5 years at 2.35% interest.

Principal payments of \$1,351,584 were made on lease payments during the year.

The accompanying notes are integral part of the financial statements.

PANOLA COUNTY, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2017

Exhibit 8

AGENCY
FUNDS

ASSETS

| | |
|--------------|--------------------------|
| Cash | \$ <u>388,987</u> |
| Total Assets | \$ <u><u>388,987</u></u> |

LIABILITIES

| | |
|----------------------------|--------------------------|
| Intergovernmental Payables | \$ <u>388,987</u> |
| Total Liabilities | \$ <u><u>388,987</u></u> |

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

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

A. Financial Reporting Entity.

Panola County, Mississippi (the 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 accordance 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
- 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

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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 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 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.

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 Net 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.

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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-types 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 and 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. 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.

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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 measureable 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. Measureable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

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

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.

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure 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 TYPE

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 TYPE

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

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.

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Capital Assets.

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

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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:

| | CAPITALIZATION THRESHOLDS | ESTIMATED USEFUL LIFE |
|--------------------------------------|------------------------------|--------------------------|
| 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. Deferred Outflows/Inflows of Resources.

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

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

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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

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

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

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

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

K. Pensions.

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

L. Long-Term Liabilities.

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

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

In the government-wide financial statements and 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.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts 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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Equity Classifications.

Government-wide Financial Statements:

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

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, 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 and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

Net Position Flow Assumption:

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

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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.

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

Fund Balance Flow Assumption:

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

N. Property Tax Revenues.

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

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

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

O. Intergovernmental Revenues in Governmental Funds.

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

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

P. Compensated Absences.

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

Q. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, Tax Abatement Disclosures and GASB Statement No. 82, Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73. The provisions of these standards have been incorporated into the financial statements and notes.

NOTE 2 - DEPOSITS AND INVESTMENTS.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$17,602,169 and the bank balance was \$18,089,897. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Investments:

Investment balances at September 30, 2017 are as follows:

| <u>Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> | <u>Rating</u> |
|------------------------|-----------------|-------------------|---------------|
| Certificate of Deposit | 5 months | <u>\$ 70,865</u> | None |
| Total | | <u>\$ 70,865</u> | |

Interest rate risk. The County does not have 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, Miss. 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 Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investment 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, 2017

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES.

The following is a summary of interfund balance at September 30, 2017:

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|--------------------------|------------------|
| General Fund | Other Governmental Funds | \$ 40,557 |
| General Fund | Solid Waste | 210,278 |
| Countywide Road Maintenance | General | 111,039 |
| Bridge | General | 76,017 |
| Other Governmental Funds | General | <u>67,782</u> |
| Total | | <u>\$505,673</u> |

The receivables represent the tax revenue collected in September, 2017, but not settled until October, 2017, and indirect cost, as well as funds paid to cover grant expenditures. 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 Fund | Other Governmental Funds | \$ 243 |
| General Fund | Solid Waste | <u>13,032</u> |
| Total | | <u>\$ 13,275</u> |

The receivables represent appropriations, transfer of interest income, and error corrections. All interfund balances are not expected to be repaid within one year from the date of the financial statements.

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

C. Transfers In/Out:

| <u>Transfer In</u> | <u>Amount</u> | <u>Transfer Out</u> | <u>Amount</u> |
|--------------------------|-------------------|--------------------------|-------------------|
| General | \$ 13,912 | Other Governmental Funds | \$ 17,987 |
| General | 1,104 | General | 259,445 |
| Other Governmental Funds | 242,418 | Agency Funds | <u>1,104</u> |
| Other Governmental Funds | <u>21,102</u> | | |
| Total | \$ <u>278,536</u> | | \$ <u>278,536</u> |

The principal purpose of interfund transfers was to provide funds for E911 appropriation, correct posting errors and transfer interest revenue. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES.

Intergovernmental receivables at September 30, 2017, consisted of the following:

| <u>Description</u> | <u>Amount</u> |
|--|------------------|
| Governmental Activities: | |
| Legislative Tax Credit | \$163,643 |
| Youth Court | 971 |
| Flood Control | 910 |
| Motor Vehicle Fuel Tax | 67,036 |
| Housing Prisoners | 13,557 |
| Additional Privilege | 21,357 |
| Road and Bridge Privilege Tax | 264 |
| Reimbursement for Welfare | 22,327 |
| Reimbursement for Law Enforcement Training | 5,086 |
| Reimbursement for Transporting Inmates | 761 |
| Reimbursement for 911 Dispatcher | 5,750 |
| Timber Severance Tax | 285 |
| Miscellaneous | <u>1,259</u> |
| Total Governmental Activities | <u>\$303,206</u> |

NOTE 5 - LOANS RECEIVABLE.

Loans receivable balances at September 30, 2017, 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 |
| Less: | | | | |
| Allowance for doubtful accounts | | | | <u>(819,500)</u> |
| Net Loans Receivable Balance | | | | <u>\$ -0-</u> |

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 6 - CAPITAL ASSETS.

The following is a summary of capital assets activity for the year ended September 30, 2017.

| Governmental Activities: | BALANCE | | | | BALANCE |
|---|----------------------|---------------------|-------------------|------------------|----------------------|
| | Oct. 1, 2016 | ADDITIONS | DELETIONS | Adjustments* | Sept. 30, 2017 |
| <u>Non-Depreciable Capital Assets:</u> | | | | | |
| Land | \$ 1,356,524 | \$ 6,043 | \$ -0- | \$ -0- | \$ 1,362,567 |
| Construction in Progress | 570,710 | 1,401,169 | -0- | (185,814) | 1,786,065 |
| Total Non-Depr. Capital Assets | <u>1,927,234</u> | <u>1,407,212</u> | <u>-0-</u> | <u>(185,814)</u> | <u>3,148,632</u> |
| <u>Depreciable Capital Assets:</u> | | | | | |
| Infrastructure | 110,643,995 | 78,271 | -0- | 185,814 | 110,908,080 |
| Buildings | 13,205,567 | 518,906 | -0- | -0- | 13,724,473 |
| Improvements other than Bldgs. | 1,927,044 | -0- | -0- | -0- | 1,927,044 |
| Mobile Equipment | 10,199,878 | 1,626,376 | 957,674 | 351,684 | 11,220,264 |
| Furniture and Equipment | 2,106,813 | 48,325 | 316,016 | -0- | 1,839,122 |
| Leased Property under Capital Leases | <u>2,405,180</u> | <u>219,220</u> | <u>-0-</u> | <u>(351,684)</u> | <u>2,272,716</u> |
| Total Depreciable Capital Assets | <u>140,488,477</u> | <u>2,491,098</u> | <u>1,273,690</u> | <u>185,814</u> | <u>141,891,699</u> |
| <u>Less Accumulated Depreciation for:</u> | | | | | |
| Infrastructure | 72,066,631 | 396,769 | -0- | -0- | 72,463,400 |
| Buildings | 4,666,743 | 233,601 | -0- | -0- | 4,900,344 |
| Improvements other than Bldgs. | 899,829 | 77,081 | -0- | -0- | 976,910 |
| Mobile Equipment | 6,546,617 | 959,547 | 534,499 | 245,942 | 7,217,607 |
| Furniture and Equipment | 1,736,431 | 74,197 | 288,987 | -0- | 1,521,641 |
| Leased Property under Capital Leases | <u>646,811</u> | <u>296,466</u> | <u>-0-</u> | <u>(245,942)</u> | <u>697,335</u> |
| Total Accumulated Depreciation | <u>86,563,062</u> | <u>2,037,661</u> | <u>823,486</u> | <u>-0-</u> | <u>87,777,237</u> |
| Total Depreciable Capital | | | | | |
| Assets - Net | <u>53,925,415</u> | <u>453,437</u> | <u>450,204</u> | <u>185,814</u> | <u>54,114,462</u> |
| Governmental Activities Capital Assets - Net | <u>\$ 55,852,649</u> | <u>\$ 1,860,649</u> | <u>\$ 450,204</u> | <u>\$ -0-</u> | <u>\$ 57,263,094</u> |

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

Business-type Activities:

| | BALANCE Oct. 1, 2016 | ADDITIONS | DELETIONS | Adjustments | BALANCE Sept. 30, 2017 |
|---|-------------------------|--------------------|--------------------|---------------|---------------------------|
| Depreciable Capital Assets: | | | | | |
| Buildings | \$ 201,428 | \$ -0- | \$ -0- | \$ -0- | \$ 201,428 |
| Improvements other than Bldgs. | 38,069 | -0- | -0- | -0- | 38,069 |
| Mobile Equipment | 246,730 | 47,855 | 75,933 | -0- | 218,652 |
| Furniture and Equipment | 215,773 | 8,013 | -0- | -0- | 223,786 |
| Leased Property under Capital | | | | | |
| Leases | 2,732,282 | 1,757,568 | 1,592,849 | -0- | 2,897,001 |
| Total Depreciable Capital Assets | <u>3,434,282</u> | <u>1,813,436</u> | <u>1,668,782</u> | <u>-0-</u> | <u>3,578,936</u> |
| Less Accumulated Depreciation for: | | | | | |
| Buildings | 60,429 | 4,029 | -0- | -0- | 64,458 |
| Improvements other than Bldgs. | 22,842 | 1,523 | -0- | -0- | 24,365 |
| Mobile Equipment | 144,767 | 26,532 | 42,980 | -0- | 128,319 |
| Furniture and Equipment | 93,589 | 28,773 | -0- | -0- | 122,362 |
| Leased Property under Capital | | | | | |
| Leases | 587,333 | 385,638 | 548,686 | -0- | 424,285 |
| Total Accumulated Depreciation | <u>908,960</u> | <u>446,495</u> | <u>591,666</u> | <u>-0-</u> | <u>763,789</u> |
| Total Depreciable Capital | | | | | |
| Assets - Net | <u>2,525,322</u> | <u>1,366,941</u> | <u>1,077,116</u> | <u>-0-</u> | <u>2,815,147</u> |
| Business-type Activities Capital | | | | | |
| Assets - Net | <u>\$ 2,525,322</u> | <u>\$1,366,941</u> | <u>\$1,077,116</u> | <u>\$ -0-</u> | <u>\$ 2,815,147</u> |

*Adjustments were made to transfer paid out leased property to mobile equipment, to transfer completed construction in progress to infrastructure and to add assets omitted in prior years.

Depreciation expense was charged to the following functions:

| | Amount |
|---|---------------------|
| Governmental Activities: | |
| General Government | \$ 58,221 |
| Public Safety | 729,142 |
| Public Works | 1,209,889 |
| Health and Welfare | 39,077 |
| Economic Development | 1,332 |
| Total Governmental Activities Depr. Expense | <u>\$ 2,037,661</u> |
| Business-type Activities: | |
| Solid Waste | <u>\$ 446,495</u> |

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

Commitments with respect to unfinished capital projects at September 30, 2017, consisted of the following:

| <u>Description of Commitment</u> | <u>Remaining Financial Commitment</u> | <u>Expected Date of Completion</u> |
|--|---|--|
| Bridge-Concrete-Non State Aid-Lawrence Bro | \$ 40,000 | 2019 |
| Bridge-Concrete-State Aid-Viney Creek Rd | 20,730 | June 2018 |
| Bridge-Concrete-State Aid-Melrose Rd | 44,420 | January 2019 |
| Total | <u>\$ 105,150</u> | |

NOTE 7 - 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 worker's compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention of 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, 2017 to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

NOTE 8 - CAPITAL LEASES.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

| <u>Classes of Property</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--------------------------------------|------------------------------------|-------------------------------------|
| Mobile Equipment | \$ 1,871,826 | \$ 2,897,001 |
| Furniture and Equipment | 400,890 | -0- |
| | <u>2,272,716</u> | <u>2,897,001</u> |
| Less: Accumulated Depreciation | (697,335) | (424,285) |
| Leased Property Under Capital Leases | <u>\$ 1,575,381</u> | <u>\$ 2,472,716</u> |

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

The following is a schedule by years of the total payments due as of September 30, 2017:

| <u>Year Ending September 30</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|---------------------------------|--------------------------------|------------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 424,105 | \$ 29,492 | \$ 669,030 | \$ 52,738 |
| 2019 | 397,449 | 21,521 | 665,388 | 38,236 |
| 2020 | 352,542 | 14,099 | 495,217 | 20,448 |
| 2021 | 359,084 | 7,560 | 452,983 | 9,575 |
| 2022 | 128,130 | 1,554 | 160,262 | 943 |
| 2023-2027 | 2,290 | 5 | -0- | -0- |
| Total | <u>\$1,663,600</u> | <u>\$ 74,231</u> | <u>\$2,442,880</u> | <u>\$121,940</u> |

NOTE 9 - DEFINED BENEFIT PENSION PLAN.

General Information about the 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.

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

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions - At September 30, 2017, PERS members were required to contribute 9.00% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's share at September 30, 2017, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the year ended September 30, 2017, 2016, and 2015 were \$1,140,794, \$1,096,101, and \$1,040,645 respectively, equal to the required contributions for each year.

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

At September 30, 2017, the County reported a liability of \$18,769,308 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of the contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2017 net pension liability was .112909 percent, which was based on a measurement date of June 30, 2017. This was an increase of .005181 percent from its proportionate share used to calculate the September 30, 2016 net position liability, which was based on a measurement date of June 30, 2016.

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

For the year ended September 30, 2017, the County recognized pension expense of \$3,004,834. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> |
|---|---|
| Differences between expected and actual experience | \$ 118,695 |
| Net difference between projected and actual earnings on pension plan investments | 165,677 |
| Change of assumptions | 359,252 |
| Changes in the proportion and differences between the County's contributions and proportionate share of contributions | 768,908 |
| County contributions subsequent to the measurement date | 295,837 |
| Total | <u>\$ 1,708,369</u> |

\$295,837 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending September 30: | <u>Deferred Outflows</u> |
|---------------------------|--------------------------|
| 2018 | \$ 1,108,269 |
| 2019 | 571,144 |
| 2020 | 95,674 |
| 2021 | (362,555) |
| Total | <u>\$ 1,412,532</u> |

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

| | |
|---------------------------|---|
| Inflation | 3.00 percent |
| Salary Increases | 3.25-18.5 percent, including inflation |
| Investment Rate of Return | 7.75 percent, net of pension plan investment expense, including inflation |

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

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-------------------------|------------------------------|---|
| U.S. Broad | 27.00 % | 4.60 % |
| International Equity | 18.00 | 4.50 |
| Emerging Markets Equity | 4.00 | 4.75 |
| Fixed Income | 18.00 | 0.75 |
| Global | 12.00 | 4.75 |
| Emerging Debt | 2.00 | 2.25 |
| Real Assets | 10.00 | 3.50 |
| Private Equity | 8.00 | 5.10 |
| Cash | 1.00 | 0.00 |
| Total | <u>100.00 %</u> | |

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

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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

| | 1% Decrease (6.75%) | Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|--------------------------|------------------------|
| County's proportionate share of the net pension liability | \$ 24,617,200 | \$ 18,769,308 | \$ 13,914,286 |

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

NOTE 10 - LONG-TERM DEBT.

Debt outstanding as of September 30, 2017, consisted of the following:

| <u>Description and Purpose</u> | <u>Amount Outstanding</u> | <u>Interest Rate</u> | <u>Final Maturity Date</u> |
|--------------------------------|-------------------------------|--------------------------|------------------------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| GE Project Bonds | \$ 2,790,000 | 4.0/5.50% | 03/2025 |
| GO Refunding Bonds Jail 2013 | <u>2,920,000</u> | 2.0/2.625% | 08/2026 |
| Total General Obligation Bonds | <u>\$ 5,710,000</u> | | |
| B. Capital Leases: | | | |
| Patch Truck | \$ 12,466 | 1.73% | 10/2017 |
| Radio Console Equipment | 80,035 | 2.19% | 03/2019 |
| 6 2014 F150 Trucks | 43,154 | 2.06% | 11/2018 |
| 2017 Mack Dump Trucks | 583,995 | 1.82% | 04/2021 |
| 3 Motor Graders | 712,476 | 1.73% | 10/2021 |
| E911 Dispatch Equipment | 129,474 | 2.44% | 07/2022 |
| Ambulance Equipment | <u>102,000</u> | 2.29% | 07/2022 |
| Total Capital Leases | <u>\$ 1,663,600</u> | | |
| C. Other Loans: | | | |
| GO Note Series 2016 | <u>\$ 1,814,472</u> | 1.63% | 07/2020 |

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

Business-type Activities:

Capital Leases:

| | | | |
|-----------------------------|-----------|-------|---------|
| Mack Garbage Truck | \$ 66,243 | 1.83% | 09/2019 |
| Mack Garbage Truck | 136,271 | 1.91% | 03/2020 |
| 22 YD Mack/Heil Side Loader | 185,021 | 1.92% | 04/2021 |
| 2017 Mack Garbage Truck | 218,704 | 1.88% | 04/2021 |
| 2016 Mack Garbage Truck | 123,781 | 1.99% | 01/2021 |
| Pup Trailer | 48,962 | 2.12% | 04/2019 |
| Bobcat Excavator | 42,324 | 1.98% | 03/2019 |
| 7 Garbage Trucks | 1,621,574 | 2.35% | 02/2022 |

Total Capital Leases \$ 2,442,880

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

Governmental Activities:

| <u>Year Ending September 30</u> | <u>General Obligation Bonds</u> | | <u>Other Loans</u> | |
|---------------------------------|---------------------------------|-------------------|--------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 580,000 | \$ 202,143 | \$ 595,072 | \$ 29,576 |
| 2019 | 605,000 | 181,644 | 604,771 | 19,876 |
| 2020 | 625,000 | 160,168 | 614,629 | 10,019 |
| 2021 | 650,000 | 137,719 | | |
| 2022 | 675,000 | 113,725 | | |
| 2023-2027 | 2,575,000 | 186,513 | | |
| Total | <u>\$5,710,000</u> | <u>\$ 981,912</u> | <u>\$1,814,472</u> | <u>\$ 59,471</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, 2017, the amount of outstanding debt was equal to 2.11% of the latest property assessments.

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

| | BALANCE | | | BALANCE | AMOUNT |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 10/1/2016 | ADDITIONS | DELETIONS | 9/30/2017 | DUE WITHIN |
| | | | | | ONE YEAR |
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 367,799 | \$ 10,924 | \$ -0- | \$ 378,723 | \$ -0- |
| General Obligation Bonds | 6,270,000 | -0- | 560,000 | 5,710,000 | 580,000 |
| Add: | | | | | |
| Premiums | 46,851 | -0- | 4,724 | 42,127 | -0- |
| Other Loans | 2,400,000 | -0- | 585,528 | 1,814,472 | 595,072 |
| Capital Leases | 1,849,092 | 231,474 | 416,966 | 1,663,600 | 424,105 |
| Total | <u>\$10,933,742</u> | <u>\$ 242,398</u> | <u>\$ 1,567,218</u> | <u>\$ 9,608,922</u> | <u>\$ 1,599,177</u> |
| Business-Type Activities: | | | | | |
| Compensated Absences | \$ 24,346 | \$ 11,328 | \$ -0- | \$ 35,674 | \$ -0- |
| Capital Leases | <u>2,039,993</u> | <u>1,754,471</u> | <u>1,351,584</u> | <u>2,442,880</u> | <u>669,030</u> |
| Total | <u>\$ 2,064,339</u> | <u>\$ 1,765,799</u> | <u>\$ 1,351,584</u> | <u>\$ 2,478,554</u> | <u>\$ 669,030</u> |

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, Industrial Park Construction, E911 Fund, Volunteer Fire Fund, and Solid Waste Fund.

NOTE 11 - DEFICIT FUND BALANCES/NET POSITION OF INDIVIDUAL FUNDS.

The following funds reported deficits in fund balances/net position at September 30, 2017:

| Fund | Deficit Amount |
|--------------------------|----------------|
| Jag Grant | \$ 18,482 |
| Self Help Housing | 3,250 |
| Fire #16 Red Hill | 7,025 |
| Sardis Lower Lake Fire 5 | 6,372 |

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 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.

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.

NOTE 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 \$254,669 for support of the library in fiscal year 2017. Complete financial statements for the First Regional Library can be obtained from P. O. Box 386, Hernando, Mississippi 38632.

NOTE 14 - EFFECTS OF DEFERRED AMOUNTS ON NET POSITION.

The governmental activities' unrestricted net position amount of (\$11,748,826) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$273,797 resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$1,319,407 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years.

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

The governmental activities' net investment in capital assets net position of \$52,717,402 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of County debt. \$48,171 of the \$429,527 balance of deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the net investment in capital assets net position over the next nine years.

The business-type activities' unrestricted net position amount of \$(1,349,700) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$22,040 resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$93,125 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years.

NOTE 15 - 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 2017.

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 \$5,084 to help support the district in the fiscal year 2017.

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 \$508,207 for maintenance and support for the college in fiscal year 2017.

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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 2017.

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 2017.

NOTE 16 - TAX ABATEMENTS.

For the year beginning October 1, 2016, the Government Accounting Standards Board (GASB) implemented Statement No. 77, Tax Abatements Disclosures. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the government or the citizens of those governments.

The Panola County Board of Supervisors negotiates property tax abatements on an individual basis. All abatements are for 10 years and are for economic development purposes. The County had tax abatement agreements with twenty entities as of September 30, 2017.

Section 27-31-101, Miss. Code (Ann)1972
New enterprises

There are five companies that have abatements under this statute.

Section 27-31-105

Addition to or expansion of facilities or property or replacement of equipment

PANOLA COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

There are sixteen companies that have abatements under these statutes.

| Category | Amount of Taxes Abated During the Fiscal Year |
|---|--|
| New Enterprises | \$ 90,084 |
| Addition to or expansion of facilities or property or replacement of equipment | <u>154,961</u> |
| Total | <u>\$ 245,045</u> |

NOTE 17 - 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 activity of the County through July 16, 2019 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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, 2017

| | Original <u>Budget</u> | Final <u>Budget</u> | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) |
|---|---------------------------|------------------------|--------------------------------|--|
| REVENUES | | | | |
| Property Taxes | \$ 8,702,870 | \$ 9,024,152 | \$ 9,024,152 | \$ -0- |
| Licenses, Commissions, and Other Revenue | 493,300 | 569,591 | 569,591 | -0- |
| Fines and Forfeitures | 309,000 | 265,570 | 265,570 | -0- |
| Intergovernmental Revenues | 929,784 | 912,003 | 912,003 | -0- |
| Charges for Services | 416,000 | 447,550 | 447,550 | -0- |
| Interest Income | 22,000 | 60,518 | 60,518 | -0- |
| Miscellaneous Revenues | 492,020 | 503,734 | 503,734 | -0- |
| Total Revenues | <u>11,364,974</u> | <u>11,783,118</u> | <u>11,783,118</u> | <u>-0-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 4,565,751 | 4,350,488 | 4,350,488 | -0- |
| Public Safety | 6,498,240 | 6,511,375 | 6,511,375 | -0- |
| Public Works | 106,163 | 87,363 | 87,363 | -0- |
| Health and Welfare | 265,791 | 222,303 | 222,303 | -0- |
| Culture and Recreation | 38,000 | 32,345 | 32,345 | -0- |
| Education | -0- | 10,000 | 10,000 | -0- |
| Conservation of Natural Resources | 105,689 | 103,295 | 103,295 | -0- |
| Economic Development and Assistance | 287,837 | 289,000 | 289,000 | -0- |
| Debt Service: | | | | |
| Principal | -0- | -0- | -0- | -0- |
| Interest | -0- | -0- | -0- | -0- |
| Total Expenditures | <u>11,867,471</u> | <u>11,606,169</u> | <u>11,606,169</u> | <u>-0-</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(502,497)</u> | <u>176,949</u> | <u>176,949</u> | <u>-0-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other Financing Sources | 593,576 | 34,774 | 34,774 | -0- |
| Other Financing Uses | <u>(593,576)</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total Other Financing Sources (Uses) | <u>-0-</u> | <u>34,774</u> | <u>34,774</u> | <u>-0-</u> |
| Net Change in Fund Balance | (502,497) | 211,723 | 211,723 | -0-) |
| Fund Balances - Beginning | 6,821,855 | 5,046,527 | 5,046,527 | -0- |
| Fund Balances - Ending | <u>\$ 6,319,358</u> | <u>\$ 5,258,250</u> | <u>\$ 5,258,250</u> | <u>\$ -0-</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, 2017

| | Original <u>Budget</u> | Final <u>Budget</u> | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) |
|---|---------------------------|------------------------|--------------------------------|--|
| REVENUES | | | | |
| Property Taxes | \$ 1,934,228 | \$ 1,619,506 | \$ 1,619,506 | \$ -0- |
| Road and Bridge | | | | |
| Privilege Tax | -0- | 482,505 | 482,505 | -0- |
| Intergovernmental Revenues | 742,000 | 856,057 | 856,057 | -0- |
| Interest Income | 5,000 | 14,542 | 14,542 | -0- |
| Miscellaneous Revenues | 6,200 | 15,189 | 15,189 | -0- |
| Total Revenues | <u>2,687,428</u> | <u>2,987,799</u> | <u>2,987,799</u> | <u>-0-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Works | 2,849,349 | 2,740,952 | 2,740,952 | -0- |
| Debt Service: | | | | |
| Principal | 238,211 | 292,574 | 292,574 | -0- |
| Interest | -0- | -0- | -0- | -0- |
| Total Expenditures | <u>3,087,560</u> | <u>3,033,526</u> | <u>3,033,526</u> | <u>-0-</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(400,132)</u> | <u>(45,727)</u> | <u>(45,727)</u> | <u>-0-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other Financing Sources | -0- | 521 | 521 | -0- |
| Total Other Financing Sources (Uses) | <u>-0-</u> | <u>521</u> | <u>521</u> | <u>-0-</u> |
| Net Change in Fund Balance | (400,132) | (45,206) | (45,206) | -0- |
| Fund Balances - Beginning | 1,122,289 | 1,702,513 | 1,702,513 | -0- |
| Fund Balances - Ending | <u>\$ 722,157</u> | <u>\$ 1,657,307</u> | <u>\$ 1,657,307</u> | <u>\$ -0-</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, 2017

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) |
|--|---------------------|---------------------|--------------------------------|--|
| REVENUES | | | | |
| Property Taxes | \$ 1,628,416 | \$ 1,685,987 | \$ 1,685,987 | \$ -0- |
| Interest Income | 6,000 | 25,111 | 25,111 | -0- |
| Total Revenues | <u>1,634,416</u> | <u>1,711,098</u> | <u>1,711,098</u> | <u>-0-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Works | 2,119,493 | 1,958,296 | 1,958,296 | -0- |
| Debt Service: | | | | |
| Principal | 152,040 | -0- | -0- | -0- |
| Interest | -0- | -0- | -0- | -0- |
| Total Expenditures | <u>2,271,533</u> | <u>1,958,296</u> | <u>1,958,296</u> | <u>-0-</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(637,117)</u> | <u>(247,198)</u> | <u>(247,198)</u> | <u>-0-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other Financing Sources | -0- | 430,127 | 430,127 | -0- |
| Total Other Financing Sources | <u>-0-</u> | <u>430,127</u> | <u>430,127</u> | <u>-0-</u> |
| Net Change in Fund Balance | (637,117) | 182,929 | 182,929 | -0- |
| Fund Balances - Beginning | 2,626,668 | 2,724,075 | 2,724,075 | -0- |
| Fund Balances - Ending | <u>\$ 1,989,551</u> | <u>\$ 2,907,004</u> | <u>\$ 2,907,004</u> | <u>\$ -0-</u> |

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

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

| | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|--------------|-------------|
| County's proportion of the net pension liability (asset) | 0.112909% | 0.107728% | 0.105135% | 0.105589% |
| County's proportionate share of the net pension liability (asset) | 18,769,308 | 19,242,911 | 16,251,798 | 12,816,571 |
| County's covered payroll | 7,152,952 | 6,959,365 | 6,607,266 | 6,491,910 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 262.399468% | 276.503833% | 245.9685746% | 197.123732% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.49% | 57.467727% | 61.703983% | 67.207687% |

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

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

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

PANOLA COUNTY, MISSISSIPPI
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
PERS
LAST 10 FISCAL YEARS

| | 2017 | 2016 | 2015 |
|--|------------------|------------------|------------------|
| Contractually required contribution | \$ 1,140,794 | \$ 1,096,101 | \$ 1,040,645 |
| Contributions in relation to the contractually required contribution | <u>1,140,794</u> | <u>1,096,101</u> | <u>1,040,645</u> |
| Contribution deficiency (excess) | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |
| County covered payroll | \$ 7,243,143 | \$ 6,959,365 | \$ 6,607,266 |
| Contributions as a percentage of covered payroll | 15.75% | 15.75% | 15.75% |

*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9-30-15, and until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

The 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, 2017
UNAUDITED

NOTE 1 - BUDGET COMPARISON SCHEDULE.

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, the board 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 supplementary 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).

PANOLA COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2017
UNAUDITED

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

| | General <u>Fund</u> | Countywide Road Maintenance <u>Fund</u> | Bridge <u>Fund</u> |
|-----------------------------|------------------------|--|-----------------------|
| Budget (Cash Basis) | \$ 211,723 | \$ (45,206) | \$ 182,929 |
| Increase (Decrease) | | | |
| Net Adjustments for Revenue | | | |
| Accruals | 45,588 | (16,067) | 2,650 |
| Net Adjustments for | | | |
| Expenditure Accruals | <u>370,237</u> | <u>208,777</u> | <u>245,161</u> |
| GAAP Basis | <u>\$ 627,548</u> | <u>\$ 147,504</u> | <u>\$ 430,740</u> |

NOTE 2 - SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF THE COUNTY'S CONTRIBUTIONS.

A. Changes of Assumptions.

2015

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

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

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

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

PANOLA COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2017
UNAUDITED

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

2016

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

2017

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

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

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

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

B. Changes in Benefit Provisions.

2016

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

PANOLA COUNTY, MISSISSIPPI

OTHER INFORMATION

PANOLA COUNTY, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR COUNTY OFFICIALS
For the Year Ended September 30, 2017
UNAUDITED

| <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 Co. | \$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 Pittcock | Chancery Clerk | Western Surety Co. | \$100,000 |
| Kate Victor | County Administrator | Liberty Mutual | \$100,000 |
| Mellissa 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 Clerk | Old Republic Surety | \$50,000 |
| Linda Lyons | Justice Court Clerk | Old Republic Surety | \$50,000 |
| Eric Harris | Constable | Old Republic Surety | \$50,000 |
| Raye Hawkins | Constable | Old Republic Surety | \$50,000 |
| Andriana Cauthen | Purchase Clerk | Western Surety Co. | \$75,000 |
| Robbie 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 Ins. | \$10,000/ea |
| Sheriff's Deputies | Sheriff's Deputies | Old Republic Surety | \$50,000/ea |

PANOLA COUNTY, MISSISSIPPI

SPECIAL REPORTS



The Dwight L. Young Group

CERTIFIED PUBLIC ACCOUNTANTS

604 S. 16TH STREET / P.O. DRAWER 280 / OXFORD, MS 38655-0280 / PHONE (662) 234-1251 / FAX (662) 236-3804

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

Members of the Board of Supervisors
Panola County, Mississippi
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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 16, 2019. 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 Panola County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Panola County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2017-001 that we consider to be a material weakness.

COMPLIANCE AND OTHER MATTERS

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

Panola County's Response to Finding

Panola County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Panola County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

The Dwight L. Young Group
Oxford, Mississippi
July 16, 2019



The Dwight L. Young Group

CERTIFIED PUBLIC ACCOUNTANTS

604 S. 16TH STREET / P.O. DRAWER 280 / OXFORD, MS 38655-0280 / PHONE (662) 234-1251 / FAX (662) 236-3804

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

Members of the Board of Supervisors
Panola County, Mississippi
Batesville, 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, 2017. The Board of Supervisors of Panola County, Mississippi is responsible for the County's compliance with these 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 current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Panola County, Mississippi complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2017.

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 and, in our opinion, is fairly presented in relation to that examination.

This report is intended for use in evaluating Panola County, Mississippi's compliance with the aforementioned requirements 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.

The Dwight H. Young Group

Oxford, Mississippi
July 16, 2019

PANOLA COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES FROM OTHER THAN THE LOWEST BIDDER
For the Year Ended September 30, 2017

Schedule 1

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

PANOLA COUNTY, MISSISSIPPI
SCHEDULE OF EMERGENCY PURCHASES
For the Year Ended September 30, 2017

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, 2017

Schedule 3

Our test results did not identify any sole source purchases.



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW
MANAGEMENT REPORT

Members of the Board of Supervisors
Panola County, Mississippi
Batesville, Mississippi

In planning and performing our audit of the financial statements of Panola County, Mississippi for the year ended September 30, 2017, 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 July 16, 2019, on the financial statements of Panola County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the 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.

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

The Dwight F. Young Group

Oxford, Mississippi

July 16, 2019

PANOLA COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2017

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. None Reported

3. Noncompliance material to financial statements noted? No

Section 2: Financial Statements Findings

Board of Supervisors.

Material Weakness (Prior Year Finding)

2017-001 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.

PANOLA COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2017

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 did not choose to include the component units in the County financial statements because the component units do not render financial statements and the Board believes it would be a hardship to do so.