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PANOLA COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

PANOLA COUNTY, MISSISSIPPI

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PANOLA COUNTY, MISSISSIPPI

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
Panola County, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panola County, Mississippi, as of September 30, 2018, 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 Schedule and corresponding notes, the Schedule of the County's proportionate share of the Net Pension Liability, and 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.

Omission of Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Panola County, Mississippi's basic financial statements. The state legal compliance audit for the year ended September 30, 2018 was performed by the Mississippi Office of the State Auditor and covered the Schedule of Surety Bonds for County Officials. Therefore, the schedule is not included in this report and 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 May 31, 2020, 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.

Oxford, Mississippi
May 31, 2020

Watkins Ward and Stafford, PLLC

PANOLA COUNTY
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 16,203,504	300	16,203,804
Investments	71,080	-	71,080
Property tax receivable	11,602,130	-	11,602,130
Accounts receivable (net of allowance for uncollectibles of \$4,676,745)	-	203,208	203,208
Fines receivable (net of allowance for uncollectibles of \$2,148,539)	95,816	-	95,816
Intergovernmental receivables	280,826	-	280,826
Other receivables	36,399	2,933	39,332
Internal balances	426,386	(426,386)	-
Capital assets:			
Land and construction in progress	3,218,074	-	3,218,074
Other capital assets, net	54,866,213	2,903,307	57,769,520
Total Assets	86,800,428	2,683,362	89,483,790
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of refunding	381,356	-	381,356
Deferred outflows related to pensions	1,819,453	133,021	1,952,474
Total Deferred outflows of Resources	2,200,809	133,021	2,333,830
LIABILITIES			
Claims payable	755,902	97,042	852,944
Intergovernmental payables	1,118,706	149	1,118,855
Accrued interest payable	25,531	-	25,531
Amounts held in custody for others	297,934	-	297,934
Unearned Revenue	-	192,193	192,193
Long-term liabilities			
Due within one year:			
Capital debt	933,786	763,888	1,697,674
Non-capital debt	963,336	-	963,336
Due in more than one year:			
Capital debt	4,377,567	1,633,932	6,011,499
Non-capital debt	2,848,719	-	2,848,719
Compensated absences	412,552	34,858	447,410
Net pension liability	18,845,219	1,520,191	20,365,410
Total Liabilities	30,579,252	4,242,253	34,821,505
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	11,602,130	-	11,602,130
Deferred inflows related to pensions	494,955	40,194	535,149
Total Deferred Inflows of Resources	12,097,085	40,194	12,137,279
NET POSITION			
Net investment in capital assets	52,772,934	505,487	53,278,421
Restricted:			
Expendable:			
General Government	740,627	-	740,627
Debt Service	605,191	-	605,191
Public Safety	730,699	-	730,699
Public Works	4,186,193	(1,971,551)	2,214,642
Economic development	478,952	-	478,952
Unemployment compensation	26,913	-	26,913
Unrestricted	(13,216,609)	-	(13,216,609)
Total Net Position	\$ 46,324,900	(1,466,064)	44,858,836

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

PANOLA COUNTY
Statement of Activities
For the Year Ended September 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,458,632	848,709	232,206	-	(3,377,717)	-	(3,377,717)
Public safety	6,809,406	899,254	299,885	-	(5,610,267)	-	(5,610,267)
Public works	8,050,712	-	1,199,967	69,442	(6,781,303)	-	(6,781,303)
Health and Welfare	259,808	-	58,996	21,102	(179,710)	-	(179,710)
Culture and recreation	32,560	-	-	-	(32,560)	-	(32,560)
Education	10,000	-	-	-	(10,000)	-	(10,000)
Conservation of natural resources	75,185	-	-	-	(75,185)	-	(75,185)
Economic development and assistance	329,939	-	419,344	-	89,405	-	89,405
Interest on long-term debt	319,396	-	-	-	(319,396)	-	(319,396)
Pension Expense	2,869,138	-	-	-	(2,869,138)	-	(2,869,138)
Total Governmental Activities	<u>23,214,776</u>	<u>1,747,963</u>	<u>2,210,398</u>	<u>90,544</u>	<u>(19,165,871)</u>	<u>-</u>	<u>(19,165,871)</u>
Business-type activities:							
Solid Waste	3,066,665	2,501,601	-	18,858	-	(546,206)	(546,206)
Total Business-type Activities	<u>3,066,665</u>	<u>2,501,601</u>	<u>-</u>	<u>18,858</u>	<u>-</u>	<u>(546,206)</u>	<u>(546,206)</u>
Total Primary Government	<u>\$ 26,281,441</u>	<u>4,249,564</u>	<u>2,210,398</u>	<u>109,402</u>	<u>(19,165,871)</u>	<u>(546,206)</u>	<u>(19,712,077)</u>
General revenues:							
Property taxes					\$ 13,915,246	-	13,915,246
Road & bridge privilege taxes					489,901	-	489,901
Grants & contributions not restricted to specific programs					645,033	-	645,033
Unrestricted interest income					281,485	598	282,083
Miscellaneous					1,377,169	56,977	1,434,146
Total General Revenues					<u>16,708,834</u>	<u>57,575</u>	<u>16,766,409</u>
Changes in Net Position					<u>(2,457,037)</u>	<u>(488,631)</u>	<u>(2,945,668)</u>
Net Position - Beginning, as previously reported					48,789,881	(977,433)	47,812,448
Prior period adjustments					(7,944)	-	(7,944)
Net Position - as restated					<u>48,781,937</u>	<u>(977,433)</u>	<u>47,804,504</u>
Net Position - Ending					<u>\$ 46,324,900</u>	<u>(1,466,064)</u>	<u>44,858,836</u>

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

PANOLA COUNTY
Balance Sheet - Governmental Funds
September 30, 2018

Exhibit 3

	Major Funds				
	General Fund	Countywide Road Maintenance Fund	Bridge Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 9,344,648	2,526,271	1,642,062	2,690,523	16,203,504
Investments	-	-	-	71,080	71,080
Property tax receivable	8,177,759	2,030,068	334,364	1,059,939	11,602,130
Fines receivable (net of allowance for uncollectibles of \$2,148,539)	95,816	-	-	-	95,816
Intergovernmental Receivables	207,407	66,499	-	6,920	280,826
Other receivables	6,822	1,985	-	27,592	36,399
Due from other funds	582,244	110,842	90,203	78,385	861,674
Advances to other funds	200,243	-	-	-	200,243
Total Assets	\$ 18,614,939	4,735,665	2,066,629	3,934,439	29,351,672
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 258,527	222,097	21,783	253,495	755,902
Intergovernmental payables	1,110,917	289	7,500	-	1,118,706
Amounts held in custody for others	297,934	-	-	-	297,934
Due to other funds	279,430	-	-	355,858	635,288
Advances from other funds	-	-	-	243	243
Total Liabilities	1,946,808	222,386	29,283	609,596	2,808,073
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	8,177,759	2,030,068	334,364	1,059,939	11,602,130
Unavailable revenue - fines	95,816	-	-	-	95,816
Total deferred inflows of resources	8,273,575	2,030,068	334,364	1,059,939	11,697,946
Fund Balances:					
Non Spendable					
Advances	200,243	-	-	-	200,243
Restricted for:					
General government	-	-	-	489,121	489,121
Public safety	-	-	-	730,699	730,699
Public works	-	2,483,211	1,702,982	-	4,186,193
Economic development and assistance	-	-	-	478,952	478,952
Debt service	-	-	-	630,722	630,722
Unemployment compensation	-	-	-	26,913	26,913
Assigned for:					
General government	-	-	-	251,506	251,506
Unassigned	8,194,313	-	-	(343,009)	7,851,304
Total Fund Balances	8,394,556	2,483,211	1,702,982	2,264,904	14,845,653
Total liabilities, deferred inflows of resources and fund balances	\$ 18,614,939	4,735,665	2,066,629	3,934,439	29,351,672

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

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

Exhibit 3-1

Total Fund Balance - Governmental Funds \$ 14,845,653

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

Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$88,370,417. 58,084,287

Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds. (9,535,960)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 95,816

Deferred amount on refunding of bonds is not reported in the funds. 381,356

Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. (25,531)

Pension obligations are not due and payable in the current period and, therefore are not reported in the funds. (18,845,219)

Deferred outflows related to pension obligations are applicable to future periods and, therefore are not reported in the funds. 1,819,453

Deferred inflows related to pension obligations are applicable to future periods and, therefore are not reported in the funds. (494,955)

Total Net Position - Governmental Activities \$ 46,324,900

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

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

Exhibit 4

	Major Funds				Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Bridge Fund	Other Governmental Funds	
<u>REVENUES</u>					
Property taxes	\$ 9,172,242	1,627,635	1,701,869	1,438,329	13,940,075
Road and bridge privilege taxes	-	489,901	-	-	489,901
Licenses, commissions, & other revenue	624,317	-	-	20,522	644,839
Fines and forfeitures	243,459	-	-	11,557	255,016
Intergovernmental revenues	948,332	1,252,753	-	744,890	2,945,975
Charges for services	408,270	-	-	421,978	830,248
Interest income	144,495	39,850	48,659	48,481	281,485
Miscellaneous revenues	640,378	32,313	7	110,332	783,030
Total Revenues	<u>12,181,493</u>	<u>3,442,452</u>	<u>1,750,535</u>	<u>2,796,089</u>	<u>20,170,569</u>
<u>EXPENDITURES</u>					
Current:					
General government	4,610,727	-	-	81,015	4,691,742
Public safety	7,046,214	-	-	1,832,278	8,878,492
Public works	217,509	4,785,506	2,771,624	567,960	8,342,599
Health and welfare	221,948	-	-	750	222,698
Culture and recreation	32,560	-	-	-	32,560
Education	10,000	-	-	-	10,000
Conservation of natural resources	99,089	-	-	-	99,089
Economic development assistance	309,000	-	-	19,890	328,890
Debt Service:					
Principal	64,701	760,463	71,350	1,281,444	2,177,958
Interest	4,608	29,803	4,671	241,460	280,542
Total Expenditures	<u>12,616,356</u>	<u>5,575,772</u>	<u>2,847,645</u>	<u>4,024,797</u>	<u>25,064,570</u>
Excess of Revenue over (under) expenditures	<u>(434,863)</u>	<u>(2,133,320)</u>	<u>(1,097,110)</u>	<u>(1,228,708)</u>	<u>(4,894,001)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Long-term capital debt issued	417,511	1,540,181	-	73,200	2,030,892
Long-term non capital debt issued	31,000	-	-	14,000	45,000
Proceeds from sale of capital assets	2,823	1,202,400	-	21,737	1,226,960
Transfers in	-	-	-	252,413	252,413
Transfers out	(242,418)	-	-	(9,995)	(252,413)
Total Other Fin. Sources & Uses	<u>208,916</u>	<u>2,742,581</u>	<u>-</u>	<u>351,355</u>	<u>3,302,852</u>
Net Changes in Fund Balance	<u>(225,947)</u>	<u>609,261</u>	<u>(1,097,110)</u>	<u>(877,353)</u>	<u>(1,591,149)</u>
Fund Balance-Beginning	8,620,503	1,873,950	2,800,092	3,142,257	16,436,802
Fund Balances - Ending	<u>\$ 8,394,556</u>	<u>2,483,211</u>	<u>1,702,982</u>	<u>2,264,904</u>	<u>14,845,653</u>

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

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

Exhibit 4-1

Net Changes in Fund Balances - Governmental Funds \$ (1,591,149)

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 assets
differs from the change in fund balances by the amount that capital outlays of
\$4,186,515 exceeded depreciation of \$2,299,884 in the current period. 1,886,631

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 assets differs from the
change in fund balances by the amount of the net gain of \$594,139, the loss of 432,617
and the proceeds from the sale of \$1,226,960 in the current period. (1,065,438)

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. 17,860

Debt proceeds provide current financial resources to Governmental Funds, but
issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment
of debt principal is an expenditure in the Governmental Funds, but the repayment
reduced long-term liabilities in the Statement of Net Assets. Thus, the change in
net assets differs from the change in fund balances by the amount that debt
payments of \$2,177,958 exceeded debt proceeds of \$2,075,892 in the current period. 102,066

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	(2,869,138)
Recognition of contributions made subsequent to the measurement date	292,172
Recognition of contributions made prior to the measurement date	834,698

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 assets differs from the change
in fund balances by a combination of the following items:

Change in accrued interest payable	4,592
Change in compensated absences	(25,885)
The Amortization of:	
Premiums on bonds	4,725
Deferred amount on refunding bonds	(48,171)
	(48,171)

Change in Net Position of Governmental Activities \$ (2,457,037)

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

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

Exhibit 5

	Business-type Activities - Enterprise Fund Solid Waste Fund
<u>ASSETS</u>	
Current assets:	
Cash	\$ 300
Accounts receivable (net of allowance for uncollectibles of \$4,676,745)	203,208
Other receivables	2,933
Total Current Assets	<u>206,441</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	2,903,307
Total Noncurrent Assets	<u>2,903,307</u>
Total Assets	<u>3,109,748</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pensions	<u>133,021</u>
<u>LIABILITIES</u>	
Current liabilities:	
Claims payable	97,042
Intergovernmental payables	149
Due to governmental funds	226,386
Advances from governmental funds	200,000
Unearned revenue	192,193
Capital debt:	
Capital leases payable	763,888
Total Current Liabilities	<u>1,479,658</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	1,633,932
Non-capital debt:	
Compensated absences payable	34,858
Net pension liability	1,520,191
Total Noncurrent Liabilities	<u>3,188,981</u>
Total Liabilities	<u>4,668,639</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows related to pensions	<u>40,194</u>
<u>NET POSITION</u>	
Net investment in capital assets	505,487
Restricted for public works	(1,971,551)
Total Net Position	<u>\$ (1,466,064)</u>

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

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

Exhibit 6

	Business-type Activities - Enterprise Fund Solid Waste Fund
Operating Revenues	
Charges for services	\$ 2,501,601
Intergovernmental revenues	18,858
Other income	32,069
Total Operating Revenues	<u>2,552,528</u>
Operating Expenses	
Personal services	758,063
Contractual services	873,921
Materials and supplies	606,507
Indirect administrative cost	14,597
Pension expense	238,681
Depreciation expense	410,048
Total Operating Expenses	<u>2,901,817</u>
Operating Income (Loss)	<u>(349,289)</u>
Nonoperating Revenues (Expenses)	
Interest income	598
Interest expense	(47,997)
Acquisition of capital assets	(28,473)
Gain on sale of capital assets	24,908
Loss on sale of capital assets	(88,378)
Net Non-Operating Revenue (Expenses)	<u>(139,342)</u>
Changes in Net Position	<u>(488,631)</u>
Net Position - Beginning	<u>(977,433)</u>
Net Position Ending	<u>\$ (1,466,064)</u>

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

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

Exhibit 7

	Business-type Activities - Enterprise Fund Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,479,583
Receipts from state government	18,858
Other revenues	53,109
Payments to suppliers	(1,442,214)
Payments to employees	(854,439)
Net Cash Provided (Used) by Operating Activities	<u>254,897</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	519,676
Acquisition of capital assets	(1,081,354)
Payments on interfund loans	(23,310)
Proceeds from interfund loans	211,789
Proceeds from long-term capital debt	1,052,881
Principal paid on long-term debt	(1,097,941)
Interest paid on debt	(47,997)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(466,256)</u>
Cash Flows From Investing Activities	
Interest on investments	598
Net Cash Provided (Used) by Investing Activities	<u>598</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(210,761)
Cash and Cash Equivalents at Beginning of Year	211,061
Cash and Cash Equivalents at End of Year	<u>\$ 300</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (349,289)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	410,048
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	(25,233)
(Increase) decrease in other receivables	(2,933)
(Increase) decrease in deferred outflows of resources	(17,856)
Increase (decrease) in deferred inflows of resources	40,194
Increase (decrease) in claims payable	88,754
Increase (decrease) in intergovernmental payable	149
Increase (decrease) in due to other funds	(13,876)
Increase (decrease) in compensated absences liability	(816)
Increase (decrease) in pension liability	122,540
Increase (decrease) in unearned revenue	3,215
Total Adjustments	<u>604,186</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 254,897</u>
Noncash Capital Financing Activity:	
Panola County lease purchased mobile equipment for \$166,339 for 5 years at 3.14% interest.	
Panola County lease purchased mobile equipment for \$589,976 for 5 years at 3.13% interest.	
Panola County lease purchased mobile equipment for \$296,566 for 2 years at 3.24% interest.	
Principal payments of \$1,052,881 were made on lease payments during the year.	

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

Panola County
Statement of Fiduciary Assets and Liabilities
September 30, 2018

Exhibit 8

**Agency
Funds**

ASSETS

Cash	\$	609,652
Total Assets		<u>609,652</u>

LIABILITIES

Intergovernmental Payables		609,652
Total Liabilities	\$	<u>609,652</u>

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

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(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

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.

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies. (continued)

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.

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.

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies. (continued)

Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

d. Measurement Focus and Basis of Accounting.

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both 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 Enterprise 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, 2018

(1) Summary of Significant Accounting Policies. (continued)

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.

g. Receivables.

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

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies. (continued)

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.

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

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

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

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies. (continued)

* 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.

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 Fourteen 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 Fourteen 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.

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies. (continued)

I. 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.

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.

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.

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies. (continued)

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.

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.

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies. (continued)

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.

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. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The provisions of this standard do not apply to Panola County.

r. Use of Estimates

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

(2) Prior Period Adjustment

A summary of significant net position adjustments are as follows:

Exhibit 2 – Statement of Activities – Governmental Activities

<u>Explanation</u>	<u>Amount</u>
Error in compensated absences	\$ (7,944)
Total prior period adjustments	<u>\$ (7,944)</u>

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$16,813,456 and the bank balance was \$16,990,397. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. 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, 2018 are as follows:

Investment Type	Maturity	Level	Fair Value
Certificate of Deposit	4 months	1	\$ 71,080
Total			<u>\$ 71,080</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, 2018

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 355,858
General Fund	Solid Waste	226,386
Countywide Road Maintenance	General Fund	110,842
Bridge	General Fund	90,203
Other Governmental Funds	General Fund	<u>78,385</u>
Total		<u>\$ 861,674</u>

The receivables represent the tax revenue collected in September, 2018, but not settled until October, 2018, indirect cost, as well as funds paid to cover negative cash balances. 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>200,000</u>
		<u>\$ 200,243</u>

The receivables represent an error correction and loan to cover operating cost. All interfund balances are not expected to be repaid within one year from the date of the financial statements.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 242,418
Other Governmental Funds	Other Governmental Funds	<u>9,995</u>
Total		<u>\$ 252,413</u>

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

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(5) Intergovernmental Receivables.

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

Description	Amount
Governmental Activities:	
Legislative tag credit	\$ 148,737
Youth court	951
Flood control	792
Motor vehicle fuel tax	64,663
Housing prisoners	23,848
Additional privilege	27,338
Road and bridge privilege tax	1,044
Reimbursement for law enforcement training	814
Reimbursement for transporting inmates	4,753
Reimbursement for 911 dispatcher	5,750
Reimbursement for utilities	526
Timber severance	19
Miscellaneous	<u>1,591</u>
Total Governmental Activities	<u>\$ 280,826</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2018, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
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>\$ -</u>

(7) Capital Assets.

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

Governmental Activities:					Balance
	Oct. 1, 2017	Additions	Deletions	Adjustments	Sept. 30, 2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,362,567	-	-	-	1,362,567
Constuction in progress	<u>1,786,065</u>	<u>141,012</u>	-	<u>(71,570)</u>	<u>1,855,507</u>
Total non-depreciable capital assets	<u>3,148,632</u>	<u>141,012</u>	-	<u>(71,570)</u>	<u>3,218,074</u>

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(7) Capital Assets. (continued)

Depreciable capital assets:

Infrastructure	110,908,080	-	-	71,570	110,979,650
Buildings	13,724,473	-	-	-	13,724,473
Improvements other than buildings	1,927,044	-	-	-	1,927,044
Mobile equipment	11,220,264	1,836,764	2,007,685	60,247	11,109,590
Furniture and equipment	1,839,122	177,846	40,957	-	1,976,011
Leased property under capital lease	2,272,716	2,030,893	723,500	(60,247)	3,519,862
Total depreciable capital assets	<u>141,891,699</u>	<u>4,045,503</u>	<u>2,772,142</u>	<u>71,570</u>	<u>143,236,630</u>

Less accumulated depreciation for:

Infrastructure	72,463,400	399,274	-	-	72,862,674
Buildings	4,900,344	224,392	-	-	5,124,736
Building improvements	976,910	77,081	-	-	1,053,991
Mobile equipment	7,217,607	906,540	1,280,404	27,111	6,870,854
Furniture and equipment	1,521,641	91,039	35,610	-	1,577,070
Leased property under capital leases	697,335	601,558	390,690	(27,111)	881,092
Total accumulated depreciation	<u>87,777,237</u>	<u>2,299,884</u>	<u>1,706,704</u>	<u>-</u>	<u>88,370,417</u>

Total depreciable capital assets, net	<u>54,114,462</u>	<u>1,745,619</u>	<u>1,065,438</u>	<u>71,570</u>	<u>54,866,213</u>
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Governmental activities
capital assets, net

\$ <u>57,263,094</u>	<u>1,886,631</u>	<u>1,065,438</u>	<u>-</u>	<u>58,084,287</u>
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Business-type Activities:

	Balance				Balance
	Oct. 1, 2017	Additions	Deletions	Adjustments	Sept. 30, 2018
<u>Depreciable capital assets:</u>					
Buildings	\$ 201,428	-	-	-	201,428
Improvements other than buildings	38,069	-	-	-	38,069
Mobile equipment	218,652	28,473	46,179	-	200,946
Furniture and equipment	223,786	-	-	-	223,786
Leased property under capital leases	2,897,001	1,052,881	731,000	-	3,218,882
Total depreciable capital assets	<u>3,578,936</u>	<u>1,081,354</u>	<u>777,179</u>	<u>-</u>	<u>3,883,111</u>

Less accumulated depreciation for:

Buildings	64,458	4,029	-	-	68,487
Improvements other than buildings	24,365	1,523	-	-	25,888
Mobile equipment	128,319	23,360	22,431	-	129,248
Furniture and equipment	122,362	25,149	-	-	147,511
Leased property under capital leases	424,285	355,987	171,602	-	608,670
Total accumulated depreciation	<u>763,789</u>	<u>410,048</u>	<u>194,033</u>	<u>-</u>	<u>979,804</u>

Total depreciable capital assets, net	<u>2,815,147</u>	<u>671,306</u>	<u>(583,146)</u>	<u>-</u>	<u>2,903,307</u>
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Business-type activities capital
assets, net

\$ <u>2,815,147</u>	<u>671,306</u>	<u>(583,146)</u>	<u>-</u>	<u>2,903,307</u>
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PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(7) Capital Assets. (continued)

*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	\$ 59,078
Public safety	768,709
Public works	1,431,688
Health and welfare	39,077
Economic development	1,332
Total governmental activities depreciation expense	\$ 2,299,884
Business-type activities:	
Solid waste	\$ 410,048
Total business-type activities depreciation expense	\$ 410,048

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

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
BR-54(36)BO-Lawrence Brothers	\$ 11,962	12/31/2018
LSBP-54(27)-Viney Creek Road	18,513	12/31/2018
LSBP-54(28)-Melrose Road	33,423	1/31/2019
LSBP-54(29)	*	*
STPBR 54-398	**	**
	\$ 63,898	

* Engineering costs incurred, first round of bids were rejected, so no estimated contract price or completion date is available.

** Engineering costs incurred, going through approval process with State Aid, so no estimated contract price or completion date is available.

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its 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, 2018 to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(9) Capital Leases.

As Lessee:

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

Classes of property	Governmental Activities	Business-type Activities
Mobile Equipment	\$ 3,045,772	\$ 3,218,882
Furniture and equipment	474,090	-
Less: Accumulated Depreciation	<u>(881,092)</u>	<u>(608,670)</u>
Leased property under capital lease	<u>\$ 2,638,770</u>	<u>\$ 2,610,212</u>

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

Year Ended September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 687,351	\$ 33,002	\$ 763,888	\$ 64,897
2020	660,033	41,219	552,626	42,538
2021	640,099	15,817	631,831	22,634
2022	488,795	6,334	288,595	9,719
2023	<u>260,328</u>	<u>1,006</u>	<u>160,880</u>	<u>3,817</u>
Total	<u>\$ 2,736,606</u>	<u>\$ 97,378</u>	<u>\$ 2,397,820</u>	<u>\$ 143,605</u>

(10) Defined Benefit Pension Plan.

General Information about the Pension Plan

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

Benefits Provided-Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service(25 years of creditable service for employees who became members of PERS before July 1, 2011)

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(10) Defined Benefit Pension Plan. (continued)

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

Contributions – At September 30, 2018, PERS members were required to contribute 9.00% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's share at September 30, 2018, was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the year ended September 30, 2018, 2017, and 2016 were \$1,231,490, \$1,140,794, and \$1,096,101 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, 2018, the County reported a liability of \$20,365,410 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of 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, 2018 net pension liability was .122440 percent, which was based on a measurement date of June 30, 2018. This was an increase of .009531 percent from its proportionate share used to calculate the September 30, 2017 net position liability, which was based on a measurement date of June 30, 2017.

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(10) Defined Benefit Pension Plan. (continued)

For the year ended September 30, 2018, the County recognized pension expense of \$3,107,819. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 80,888	\$ 79,167
Net difference between projected and actual earnings on pension plan investments	-	455,982
Changes of Assumptions	1,184	-
Changes in the County's proportion and differences between the County's contributions and proportionate share of contributions	1,553,909	-
County's contributions subsequent to the measurement date	316,493	-
Total	\$ 1,952,474	\$ 535,149

\$316,493 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows
Year ending September 30:	
2019	\$ 880,561
2020	405,093
2021	(93,237)
2022	(91,585)
Total	\$ 1,100,832

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

Inflation	3.00 percent
Salary Increases	3.75-18.5 percent, including inflation
Investment Rate of Return	7.75 percent, net of pension plan investment expense, including inflation

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(10) Defined Benefit Pension Plan. (continued)

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

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

The long-term expected rate of return on pension plan investments was determined using 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, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U. S. Broad	27.00%	4.60
International Equity	18.00%	4.50
Emerging Markets Equity	4.00%	4.75
Global	12.00%	4.75
Fixed Income	18.00%	0.75
Real Estate	10.00%	3.50
Private Equity	8.00%	5.10
Emerging Debt	2.00%	2.25
Cash	1.00%	-
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, 2018

(10) Defined Benefit Pension Plan. (continued)

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%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 26,815,401	\$ 20,365,410	15,004,615

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

(11) Long-term Debt.

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

Description	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
GE Project Bonds	\$ 2,510,000	4.00/5.50%	03/2025
GO Refunding Bonds Jail 2013	2,620,000	2.00/2.625%	08/2026
Total General Obligation Bonds	\$ 5,130,000		
B. Capital Leases:			
Radio Console Equipment	\$ 40,455	2.19%	03/2019
(6) 2014 F-150 Trucks	10,900	2.06%	11/2018
(3) Motor Graders	558,886	1.73%	10/2021
E911 Dispatch Equipment	104,826	2.44%	07/2022
E911 Dispatch Software Equipment	53,368	2.29%	11/2020
Ambulance Equipment	82,488	2.29%	07/2022
Civil Defense (20) Radios	31,000	3.15%	01/2020
Tasers	11,200	0.00%	03/2020
2018 Ford F-150 Pickup	33,590	3.30%	04/2023
(5) 2018 Chevy Silverado Trucks	142,180	3.45%	05/2023
(7) Chevrolet Crew Cab Trucks	170,632	2.30%	12/2022
2018 Ford F-150	38,662	3.59%	07/2023
2018 Trailboss Trailer	66,429	3.07%	04/2022
Tire Roller	89,987	3.46%	08/2022
(2) CAT Backhoes	158,028	3.08%	03/2022
2018 Caterpillar 950	173,591	3.07%	03/2022
(7) 2019 Mack Dump Trucks	970,384	2.99%	08/2023
Total Capital Leases	\$ 2,736,606		

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(11) Long-term Debt. (continued)

C. Other Loans:			
GO Note, Series 2016	\$	1,219,400	1.63% 07/2020
Total Other Loans	\$	<u>1,219,400</u>	

Description	Amount Outstanding	Interest Rate	Final Maturity Date
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Business-type Activities:

A. Capital Leases:			
Mack Garbage Truck	\$	22,283	1.83% 09/2019
Mack Garbage Truck		85,980	1.91% 03/2020
22 YD Mack/Heil Side Loader		140,008	1.92% 04/2021
Pup Trailer		24,768	2.12% 04/2019
Bobcat Excavator		21,369	1.98% 03/2019
(7) Garbage Trucks		1,050,531	2.35% 02/2022
2018 Western Star Rolloff		166,339	3.14% 04/2023
2018 Autocar		589,976	3.13% 04/2023
2018 Autocar 28YD		296,566	3.24% 10/2020
Total Capital Leases	\$	<u>2,397,820</u>	

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
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	710,000	87,793	-	-
2024-2028	1,865,000	98,720	-	-
Total Governmental Activities	\$ <u>5,130,000</u>	<u>779,769</u>	<u>1,219,400</u>	<u>29,895</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, 2018, the amount of outstanding debt was equal to 1.90% of the latest property assessments.

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(11) Long-term Debt. (continued)

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

Governmental Activities:	Balance				Balance Sept. 30, 2018	Amount due Within one Year
	Oct. 1, 2017	Additions	Reductions	*Adjustments		
Compensated absences	\$ 378,723	25,885	-	7,944	412,552	N/A
General obligation bonds	5,710,000	-	580,000	-	5,130,000	605,000
Add: Bond premium	42,127	-	4,725	-	37,402	N/A
Other loans	1,814,472	-	595,072	-	1,219,400	604,771
Capital Leases	1,663,600	2,075,892	1,002,886	-	2,736,606	687,351
Total	\$ 9,608,922	2,101,777	2,182,683	7,944	9,535,960	1,897,122
Business-type Activities:						
Compensated absences	\$ 35,674	-	816	-	34,858	N/A
Capital Leases	2,442,880	1,052,881	1,097,941	-	2,397,820	763,888
Total	\$ 2,478,554	1,052,881	1,098,757	-	2,432,678	763,888

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.

*Adjustment to correct error in beginning balance of compensated absences.

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

The following funds reported deficits in fund balances/net position at September 30, 2018:

Fund	Deficit Amount
JAG Grant	\$ 17,908
Self Help Housing	500
E911	292,939
Fire #11 Pleasant Grove	1,036
Sardis Lower Lake Fire #5	18,658
EMSOF	5,424
Road Bond	6,544

(13) Contingencies.

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

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(13) Contingencies. (continued)

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.

(14) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$13,216,609) 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 \$292,172 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, 2019. The \$1,527,267 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$494,955 balance of deferred inflows of resources related to pensions at September 30, 2018 will be recognized in pension expense over the next four years.

The business-type activities' restricted net position amount of \$(1,971,551) 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 \$24,307 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, 2019. The \$108,714 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$40,194 balance of deferred inflows of resources related to pensions at September 30, 2018 will be recognized in pension expense over the next four years.

The governmental activities' net investment in capital assets net position of \$52,772,934 includes the effect of deferring the recognition of expenditures resulting for an advance refunding of County debt. \$48,171 of the \$381,356 balance of deferred outflows of resources at September 30, 2018 will be recognized as an expense in the year ending September 30, 2019. The balance will decrease the net investment in capital assets net position over the next eight years.

(15) 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 \$312,859 for support of the library in fiscal year 2018. Complete financial statements for the First Regional Library can be obtained from P. O. Box 386, Hernando, Mississippi 38632.

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(16) 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 2018.

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 \$5,292 to help support the district in the fiscal year 2018.

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 \$503,134 for maintenance and support for the college in fiscal year 2018.

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 2018.

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 2018.

(17) 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, 2018.

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

There are five companies that have abatements under this statute.

Section 27-31-105

PANOLA COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(17) Tax Abatements. (continued)

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

There are six companies that have abatements under these statutes.

Category	Amount of Taxes Abated During the Year
New Enterprises	\$ 129,025
Addition to or Expansion of Facilities or Property or Replacement of Equipment	162,395
Total	\$ 291,420

(18) Compliance.

The Mississippi Office of the State Auditor (OSA) has elected to perform limited procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the County's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>. OSA's report will include a Purchasing Report and Limited Compliance Review Report.

(19) 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 May 31, 2020 (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.

On March 11, 2020, the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on the County's operations. As of May 31, 2020, the County reports an adverse effect on revenue, workforce or related costs which can be attributed directly to COVID-19. The County has continued all operations but does expect a disruption in sales tax revenue.

PANOLA COUNTY, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 8,791,629	9,055,924	9,055,924	-
Licenses, commissions and other revenue	481,900	631,320	631,320	-
Fines and forfeitures	265,000	257,762	257,762	-
Intergovernmental revenues	917,700	966,310	966,310	-
Charges for services	431,900	380,148	380,148	-
Interest income	35,000	141,530	141,530	-
Miscellaneous revenues	474,520	512,297	512,297	-
Total Revenues	11,397,649	11,945,291	11,945,291	-
EXPENDITURES				
Current:				
General government	4,622,220	4,425,050	4,425,050	-
Public safety	6,601,740	6,566,643	6,566,643	-
Public works	125,113	214,727	214,727	-
Health and welfare	255,041	218,464	218,464	-
Culture and recreation	28,000	31,894	31,894	-
Education	-	10,000	10,000	-
Conservation of natural resources	109,984	97,284	97,284	-
Economic development and assistance	287,837	309,000	309,000	-
Debt service:				
Principal	-	66,019	66,019	-
Interest	-	4,608	4,608	-
Total Expenditures	12,029,935	11,943,689	11,943,689	-
Excess of Revenues over (under) Expenditures	(632,286)	1,602	1,602	-
OTHER FINANCING SOURCES (USES)				
Other financing sources	561,316	182,410	205,720	23,310
Other financing uses	(593,576)	(242,418)	(242,418)	-
Total Other Financing Sources and Uses	(32,260)	(60,008)	(36,698)	23,310
Net Change in Fund Balance	(664,546)	(58,406)	(35,096)	23,310
Fund Balances - Beginning	7,063,881	-	7,932,279	7,932,279
Fund Balances - Ending	\$ 6,399,335	(58,406)	7,897,183	7,955,589

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,962,756	1,614,620	1,614,620	-
Road and bridge privilege taxes	-	502,333	502,333	-
Intergovernmental revenues	707,000	708,348	708,348	-
Interest income	7,000	39,850	39,850	-
Miscellaneous revenues	7,800	42,480	42,480	-
	<u>2,684,556</u>	<u>2,907,631</u>	<u>2,907,631</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	2,789,848	2,484,208	2,484,208	-
Debt service:				
Principal	177,936	328,798	328,798	-
Interest	-	29,204	29,204	-
Total Expenditures	<u>2,967,784</u>	<u>2,842,210</u>	<u>2,842,210</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(283,228)</u>	<u>65,421</u>	<u>65,421</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	758,337	758,337	-
Other financing uses	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>758,337</u>	<u>758,337</u>	<u>-</u>
Net Change in Fund Balance	(283,228)	823,758	823,758	-
Fund Balances - Beginning	<u>1,523,680</u>	<u>-</u>	<u>1,702,513</u>	<u>1,702,513</u>
Fund Balances - Ending	<u>\$ 1,240,452</u>	<u>823,758</u>	<u>2,526,271</u>	<u>1,702,513</u>

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

Panola County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Bridge Fund
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,642,905	1,687,683	1,687,683	-
Interest income	-	48,659	48,659	-
Miscellaneous Revenues	10,000	7	7	-
Total Revenues	<u>1,652,905</u>	<u>1,736,349</u>	<u>1,736,349</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	2,197,134	2,742,341	2,742,341	-
Debt service:				
Principal	152,041	71,350	71,350	-
Interest	-	4,671	4,671	-
Total Expenditures	<u>2,349,175</u>	<u>2,818,362</u>	<u>2,818,362</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(696,270)</u>	<u>(1,082,013)</u>	<u>(1,082,013)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Other financing uses	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(696,270)	(1,082,013)	(1,082,013)	-
Fund Balances - Beginning	<u>1,900,796</u>	<u>-</u>	<u>2,724,075</u>	<u>2,724,075</u>
Fund Balances - Ending	<u><u>\$ 1,204,526</u></u>	<u><u>(1,082,013)</u></u>	<u><u>1,642,062</u></u>	<u><u>2,724,075</u></u>

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

PANOLA COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.122440 %	0.112909 %	0.107728 %	0.105135 %	0.105589 %
County's proportionate share of the net pension liability (asset)	20,365,410	18,769,308	19,242,911	16,251,798	12,816,571
County's covered payroll	7,750,305	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	262.76914 %	262.399468 %	276.503833 %	245.968575 %	197.123732 %
Plan fiduciary net position as a percentage of the total pension liability	62.54 %	61.49 %	57.467727 %	61.703983 %	67.207687 %

* The amounts presented for each fiscal year were determined as of the measurement date of 9/30 of the fiscal year prior to the fiscal date year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented for the fiscal year ended September 30, 2015 and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

PANOLA COUNTY
Schedule of the County's Contributions
PERS
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,231,490	\$ 1,140,794	1,096,101	1,040,645
Contributions in relation to the contractually required contribution	<u>1,231,490</u>	<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>	<u>0</u>
County covered payroll	\$ 7,818,984	\$ 7,243,143	6,959,365	6,607,266
Contributions as a percentage of covered payroll	15.75 %	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 fiscal year ended September 30, 2015, and until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

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

PANOLA COUNTY

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2018**

(1) Budget

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	General Fund	Countywide Road Maintenance Fund	Bridge Fund
Budget (Cash Basis)	\$ (35,096)	823,758	\$ (1,082,013)
Increase (Decrease)			
Net adjustments for revenue accruals	481,816	431,987	14,186
Net adjustments for expenditure accruals	(672,667)	(646,484)	(29,283)
	\$ (225,947)	609,261	(1,097,110)

(2) Schedule of the County's Proportionate share of Net Pension Liability and Schedule of County's Contributions.

Change 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 of one percent and a maximum rate of five percent.

PANOLA COUNTY

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2018**

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.

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%.

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

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

PANOLA COUNTY, MISSISSIPPI

SPECIAL REPORTS



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
William B. Staggers, CPA	Thomas A. Davis, CPA
Michael W. McCully, CPA	Anita L. Goodrum, CPA
Mort Stroud, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	

INDEPENDENT AUDITORS' 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

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, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated May 31, 2020.

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 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 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2018-001 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 the 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.

Oxford, Mississippi
May 31, 2020

Watkins Ward and Stafford, P.C.

PANOLA COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS AND RESPONSES

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 weaknesses identified? | Yes |
| b. Significant deficiencies identified? | None reported |
| 3. Noncompliance material to the financial statements noted? | No |

PANOLA COUNTY, MISSISSIPPI
Schedule of Findings and Responses
For the Year Ended September 30, 2018

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness (Prior Year Finding)

The financial data for the county's component units needs to be reported in conjunction with the financial data for the primary government.

2018-001 Criteria

As reported in prior year's audit report, the financial data for the county's legally separate component units is not reported with the financial data for the county's primary government. Generally accepted accounting principles require the financial data for the county's 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. Management has chosen not to include the component units in the county's financial statements to preserve adequate funding for its legally separate component units. The omission of the financial data of the county's component units in the financial statements of the county may cause the financial statements to not properly reflect the financial position of the county. The failure to properly follow generally accepted accounting principles results in an adverse opinion on the discretely presented component units of the county.

Condition

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

Cause

The Board of Supervisors chose not to present financial data for the legally separate component units of the county.

Effect

The effect of not presenting the financial data for the legally separate component units of the county are unknown.

Recommendation

The Board of Supervisors should include the component units in the financial data.

Response

The Board of Supervisors believes including the component units would create a financial hardship for the component units.