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MARSHALL COUNTY, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

MARSHALL COUNTY

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FINANCIAL SECTION



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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
Marshall County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marshall County, Mississippi, (the County) 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Aggregate Discretely Presented Component Units

The financial statements referred to above 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 Marshall 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marshall County, Mississippi, as of September 30, 2018, and the respective changes in financial position 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 Budgetary Comparison Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of the County's Contributions and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in 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

Marshall 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 Marshall County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2021, on our consideration of Marshall County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Marshall 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 Marshall County, Mississippi's internal control over financial reporting and compliance.

Eupora, Mississippi
May 27, 2021

Watkins Ward and Stafford, P.C.

FINANCIAL STATEMENTS

MARSHALL COUNTY
Statement of Net Position
September 30, 2018

	Primary Government Governmental Activities
ASSETS	
Cash and investments	\$ 15,280,758
Accrued interest receivable	55
Property tax receivable	13,725,863
Accounts receivable (net of allowance for uncollectibles of \$582,277)	7,900
Fines receivable (net of allowance for uncollectibles of \$1,867,765)	406,299
Intergovernmental receivables	1,304,583
Other receivables	60,250
Capital assets:	
Land and construction in progress	1,785,155
Other capital assets, net	61,179,159
Total Assets	<u>93,750,022</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,356,943
Total Deferred Outflows of Resources	<u>1,356,943</u>
LIABILITIES	
Claims payable	1,279,352
Intergovernmental payables	349,501
Accrued interest payable	192,172
Other payables	202,080
Long-term liabilities:	
Net pension liability	18,890,897
Due within one year:	
Capital debt	851,391
Non-capital debt	965,480
Due in more than one year:	
Capital debt	7,343,699
Non-capital debt	6,914,818
Total Liabilities	<u>36,989,390</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	519,972
Property tax for future reporting period	13,725,863
Total Deferred Inflows of Resources	<u>14,245,835</u>
NET POSITION	
Net investment in capital assets	54,769,224
Restricted for:	
Expendable:	
General Government	9,127
Debt service	526,720
Public safety	779,427
Public works	8,679,156
Culture and recreation	141,498
Economic development	7,434
Unrestricted	(21,040,846)
Total Net Position	<u>\$ 43,871,740</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 6,024,343	1,135,634	1,062	-	(4,887,647)
Public safety	6,743,229	473,372	346,132	-	(5,923,725)
Public works	8,827,168	-	1,017,548	1,469,176	(6,340,444)
Health and welfare	866,490	-	100,562	-	(765,928)
Culture and recreation	305,096	-	-	-	(305,096)
Education	343,955	-	-	-	(343,955)
Conservation of natural resources	106,524	-	-	-	(106,524)
Economic development and assistance	5,112,045	-	2,175,079	-	(2,936,966)
Interest on long-term debt	394,094	-	-	-	(394,094)
Pension expense	2,611,508	-	-	-	(2,611,508)
Total Governmental Activities	31,334,452	1,609,006	3,640,383	1,469,176	(24,615,887)
General revenues:					
Property taxes				\$ 16,527,322	
Road and bridge privilege taxes				474,873	
Grants and contributions not restricted to specific programs				2,180,999	
Unrestricted interest income				155,703	
Miscellaneous				700,907	
Total General Revenues				20,039,804	
Changes in Net Position				(4,576,083)	
Net Position - Beginning				48,447,823	
Net Position - Ending				\$ 43,871,740	

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

MARSHALL COUNTY
Balance Sheet – Governmental Funds
September 30, 2018

	Major Funds				
	General	Road	Justice Complex	Other	Total
	Fund	Maintenance	Expansion	Governmental	Governmental
		Fund	Fund	Funds	Funds
ASSETS					
Cash and investments	\$ 5,041,691	2,820,338	5,694,047	1,724,682	15,280,758
Accrued interest receivable	55	-	-	-	55
Property tax receivable	8,789,804	4,251,340	-	684,719	13,725,863
Accounts Receivable (net of allowance for uncollectibles of \$582,277)	7,900	-	-	-	7,900
Fines receivable (net of allowance for uncollectibles of \$1,867,765)	406,299	-	-	-	406,299
Intergovernmental receivables	212,415	117,336	-	974,832	1,304,583
Other receivables	32,686	315	-	27,249	60,250
Due from other funds	-	96,422	-	7,569	103,991
Total Assets	<u>\$ 14,490,850</u>	<u>7,285,751</u>	<u>5,694,047</u>	<u>3,419,051</u>	<u>30,889,699</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 199,538	49,303	-	1,030,511	1,279,352
Intergovernmental payables	349,501	-	-	-	349,501
Due to other funds	103,991	-	-	-	103,991
Other payables	202,080	-	-	-	202,080
Total Liabilities	<u>855,110</u>	<u>49,303</u>	<u>-</u>	<u>1,030,511</u>	<u>1,934,924</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	8,789,804	4,251,340	-	684,719	13,725,863
Unavailable revenue - accounts receivable	7,900	-	-	-	7,900
Unavailable revenue - fines	406,299	-	-	-	406,299
Total Deferred Inflows of Resources	<u>9,204,003</u>	<u>4,251,340</u>	<u>-</u>	<u>684,719</u>	<u>14,140,062</u>
Fund balances:					
Restricted for:					
General government	-	-	-	9,127	9,127
Public safety	-	-	-	779,427	779,427
Public works	-	2,985,108	-	1	2,985,109
Culture and recreation	-	-	5,694,047	141,498	5,835,545
Economic development	-	-	-	7,434	7,434
Debt service	-	-	-	718,892	718,892
Unassigned	4,431,737	-	-	47,442	4,479,179
Total Fund Balances	<u>4,431,737</u>	<u>2,985,108</u>	<u>5,694,047</u>	<u>1,703,821</u>	<u>14,814,713</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 14,490,850</u>	<u>7,285,751</u>	<u>5,694,047</u>	<u>3,419,051</u>	<u>30,889,699</u>

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

MARSHALL COUNTY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2018

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 14,814,713
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 \$87,292,916.	62,964,314
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	406,299
Accounts receivable	7,900
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(16,075,388)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(18,890,897)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(192,172)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,356,943
Deferred inflows of resources related to pensions	<u>(519,972)</u>
Total Net Position - Governmental Activities	<u>\$ 43,871,740</u>

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

MARSHALL COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2018

	Major Funds				
	General	Road	Justice Complex	Other	Total
	Fund	Maintenance	Expansion	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Property taxes	\$ 11,020,191	4,812,958	-	694,173	16,527,322
Road and bridge privilege taxes	-	474,873	-	-	474,873
Licenses, commissions and other revenue	926,890	30,255	-	7,851	964,996
Fines and forfeitures	260,461	-	-	50,431	310,892
Intergovernmental revenues	2,414,991	1,146,355	-	3,729,212	7,290,558
Charges for services	37,426	-	-	326,244	363,670
Interest income	88,209	26,222	23,316	17,956	155,703
Miscellaneous revenues	340,862	220,127	-	63,727	624,716
Total Revenues	15,089,030	6,710,790	23,316	4,889,594	26,712,730
EXPENDITURES					
Current:					
General government	6,350,482	-	-	16,439	6,366,921
Public safety	5,398,174	-	-	1,355,043	6,753,217
Public works	188,820	8,096,613	-	1,323,582	9,609,015
Health and welfare	874,075	-	-	-	874,075
Culture and recreation	189,227	-	115,869	-	305,096
Education	343,955	-	-	-	343,955
Conservation of natural resources	110,907	-	-	-	110,907
Economic development and assistance	611,049	-	-	4,799,296	5,410,345
Debt service:					
Principal	440,376	251,734	-	133,295	825,405
Interest	165,274	14,962	-	105,421	285,657
Bond issue costs	-	-	-	213,400	213,400
Total Expenditures	14,672,339	8,363,309	115,869	7,946,476	31,097,993
Excess of Revenues over (under) Expenditures	416,691	(1,652,519)	(92,553)	(3,056,882)	(4,385,263)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	400,706	841,268	-	6,047,410	7,289,384
Long-term non-capital debt issued	-	-	-	2,000,000	2,000,000
Proceeds from sale of capital assets	72,488	114,373	-	-	186,861
Insurance loss recoveries	20,438	7,500	-	-	27,938
Transfers in	167,725	477,346	5,786,600	1,396,851	7,828,522
Transfers out	(1,396,851)	(10,903)	-	(6,420,768)	(7,828,522)
Total Other Financing Sources and Uses	(735,494)	1,429,584	5,786,600	3,023,493	9,504,183
Net Changes in Fund Balances	(318,803)	(222,935)	5,694,047	(33,389)	5,118,920
Fund Balances - Beginning	4,750,540	3,208,043	-	1,737,210	9,695,793
Fund Balances - Ending	\$ 4,431,737	2,985,108	5,694,047	1,703,821	14,814,713

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

MARSHALL 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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 5,118,920
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,695,284 exceeded depreciation of \$2,144,986 in the current period.	550,298
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount that proceeds from sale of capital assets of \$186,861 plus insurance loss recoveries of \$27,938 exceeded the net gain of \$76,191.	(138,608)
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.	(28,687)
Solid waste 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.	(1,865)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$9,289,384 exceeded debt repayments of \$825,405.	(8,463,979)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by the following:	
Increase in compensated absences	(43,619)
Decrease in accrued interest payable	(108,437)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current year	(2,611,508)
Recording of contributions made for the current fiscal year	<u>1,151,402</u>
Change in Net Position of Governmental Activities	<u>\$ (4,576,083)</u>

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

MARSHALL COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 70,576
Other receivables	<u>7,324</u>
Total Assets	<u>\$ 77,900</u>
LIABILITIES	
Intergovernmental payables	\$ 7,324
Other payables	<u>70,576</u>
Total Liabilities	<u>\$ 77,900</u>

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 1: Summary of Significant Accounting Policies

a. Financial Reporting Entity

Marshall 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 Marshall County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

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

- Marshall County Industrial Development Authority
- Marshall County Library
- Marshall County Museum

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
- Tax Collector
- Sheriff

b. Basis of Presentation

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

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Position presents the financial condition of the governmental 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. 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 governmental function is self-financing or draws from the general revenues of the County.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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, liabilities, deferred inflows, fund balances, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column as Other Governmental Funds.

c. Measurement Focus and Basis of Accounting

The Government-wide 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.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities 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.

Road Maintenance Fund – Accounts for monies from specific revenue sources that are restricted for road maintenance.

Justice Complex Expansion Fund – Accounts for and reports monies from revenue sources that are restricted for the construction of the Justice Complex Expansion project.

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 specific 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.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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.

d. 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.

e. Deposits and Investments

State law authorizes the County to invest in interest bearing time certificates of deposit for the 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.

f. Receivables

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

g. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

h. 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 governmental 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 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.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

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

i. Deferred Outflows/Inflows of Resources

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

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 8 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 a future period(s) 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 – accounts receivable – When an asset is recorded in the 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.

Unavailable revenue – fines – When an asset is recorded in the 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 8 for additional details.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

j. 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.

k. Long-Term Liabilities

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

l. 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, it is the County's general policy 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, it is the County's general policy 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.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

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

m. 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 statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

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

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

n. 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.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

o. 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. 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.

Note 2: Deposits and Investments

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2018, was \$15,351,334 (which includes \$506,258 of certificates of deposits with original maturities beyond three months), and the bank balance was \$16,173,319. 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 a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk – 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 a 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:

<u>Investment Type</u>	<u>Maturities</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of Deposit	Less than 1 year	\$ <u>506,258</u>	<u>506,258</u>

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, 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 investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. Of the County's investment, \$506,258 were insured by securities pledged to the State Treasurer by that institution to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 2: Deposits and Investments (Continued)

Concentration of Credit Risk.

The County places no limit on the amount the County may invest in any one issuer. More than 5 percent of the County's investments are in Certificates of Deposit. These investments are 100% of the County's total investments and are reported in the General Fund.

<u>Investment Type</u>	<u>Fund</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>
Certificates of Deposit	General Fund	\$ <u>506,258</u>	100%

Note 3: Interfund Transactions and Balances

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

a. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Maintenance Fund	General Fund	\$ 96,422
Other Governmental Funds	General Fund	<u>7,569</u>
Total		\$ <u>103,991</u>

The amounts payable to the Road Maintenance Fund and Other Governmental Funds represent tax revenue, circuit court revenue, and justice court revenue collected in September 2018 but not settled until October 2018.

b. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Road Maintenance Fund	\$ 10,903
General Fund	Other Governmental Funds	156,822
Road Maintenance Fund	Other Governmental Funds	477,346
Justice Complex Expansion Fund	Other Governmental Funds	5,786,600
Other Governmental Funds	General Fund	<u>1,396,851</u>
Total		\$ <u>7,828,522</u>

The purposes of interfund transfers were to cover operating expenses, cover grant matching requirements, and to transfer one mill tax levy. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 4: Intergovernmental Receivables

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

Description	Amount
DOJ reimbursement	\$ 2,939
Flood control grant	22,126
Food stamp reimbursement	12,820
Justice court fees	1,929
Legislative tag credit	141,372
MDA passthrough grants	973,397
MEMA reimbursement	8,403
Motor vehicle taxes and licenses	94,973
Other	4,603
Reimbursement for housing prisoners	12,800
Sheriff fees	22,320
Tax release redemption	6,901
Total	<u>\$ 1,304,583</u>

Note 5: Capital Assets

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

	Balance 10/1/2017	Additions	Deletions	Adjustments*	Balance 9/30/2018
Non-depreciable capital assets:					
Land	\$ 679,339	-	-	-	679,339
Construction in progress	538,001	1,204,614	-	(636,799)	1,105,816
Total non-depreciable capital assets	<u>1,217,340</u>	<u>1,204,614</u>	<u>-</u>	<u>(636,799)</u>	<u>1,785,155</u>
Depreciable capital assets:					
Infrastructure	125,756,176	-	-	636,799	126,392,975
Buildings	8,794,242	112,861	207,551	-	8,699,552
Mobile equipment	9,302,389	109,680	596,654	287,009	9,102,424
Furniture and equipment	1,019,025	-	-	-	1,019,025
Leased property under capital leases	2,276,979	1,268,129	-	(287,009)	3,258,099
Total depreciable capital assets	<u>147,148,811</u>	<u>1,490,670</u>	<u>804,205</u>	<u>636,799</u>	<u>148,472,075</u>
Less accumulated depreciation for:					
Infrastructure	72,380,378	1,247,528	-	-	73,627,906
Buildings	4,179,834	151,291	136,937	-	4,194,188
Mobile equipment	7,716,234	315,448	528,660	155,010	7,658,032
Furniture and equipment	780,464	54,374	-	-	834,838
Leased property under capital leases	756,617	376,345	-	(155,010)	977,952
Total accumulated depreciation	<u>85,813,527</u>	<u>2,144,986</u>	<u>665,597</u>	<u>-</u>	<u>87,292,916</u>
Total depreciable capital assets, net	<u>61,335,284</u>	<u>(654,316)</u>	<u>138,608</u>	<u>636,799</u>	<u>61,179,159</u>
Governmental activities capital assets, net	<u>\$ 62,552,624</u>	<u>550,298</u>	<u>138,608</u>	<u>-</u>	<u>62,964,314</u>

* Adjustments were for completion of construction in progress, leased property under capital lease whose lease was paid out, and a prior period adjustment to remove construction in progress recorded in error.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 5: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 207,505
Public safety	428,441
Public works	<u>1,509,040</u>
Total governmental activities depreciation expense	<u>\$ 2,144,986</u>

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

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
SAP-47 (16)S	1,167,665	4/2019
SAP-47 (17)S	94,438	10/2018
Workforce Training Center	2,448,768	10/2019

Note 6: Claims and Judgments

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool 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.

Note 7: Capital Leases

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Building	\$ 780,000
Land	278,745
Mobile equipment	<u>2,199,354</u>
Total	3,258,099
Less: Accumulated depreciation	<u>(977,952)</u>
Leased property under capital leases	<u>\$ 2,280,147</u>

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 7: Capital Leases (Continued)

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2019	\$ 681,391	58,477
2020	607,765	40,772
2021	429,471	24,663
2022	84,969	17,670
2023	71,416	13,969
2024 - 2028	210,185	39,644
2029 - 2033	109,893	10,767
Total	<u>\$ 2,195,090</u>	<u>205,962</u>

Note 8: Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 8: Defined Benefit Pension Plan (Continued)

Contributions. At September 30, 2018, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate 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 fiscal years ending September 30, 2018, 2017, and 2016 were \$1,151,402, \$1,107,293, and \$1,050,218, respectively, equal to the required contributions for each year.

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

At September 30, 2018, the County reported a liability of \$18,890,897 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 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 .113575 percent, which was based on a measurement date of June 30, 2018. This was an increase of .005619 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, the County recognized pension expense of \$2,611,508. 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 at 9/30/18	Deferred Inflows of Resources at 9/30/18
Differences between expected and actual experience	\$ 77,115	\$ 75,694
Net difference between projected and actual earnings on pension plan investments		412,584
Changes of assumptions	10,592	9,515
Changes in proportion and differences between county contributions and proportionate share of contributions	980,919	22,179
County contributions subsequent to the measurement date	288,317	-
Total	<u>\$ 1,356,943</u>	<u>\$ 519,972</u>

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 8: Defined Benefit Pension Plan (Continued)

\$288,317 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:

Year ending September 30:	
2019	\$ 613,469
2020	237,676
2021	(217,537)
2022	(84,954)
Total	<u>\$ 548,654</u>

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 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

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 a 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 asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Location	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
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>	

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 8: Defined Benefit Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current 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.

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	\$ 24,873,890	\$ 18,890,897	\$ 13,918,239

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 9: Long-term Debt

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
a. General Obligation Bonds:			
Public Improvement GO Bonds, Series 2017	\$ <u>6,000,000</u>	3.25%	10/2032
b. Capital Leases:			
Caterpillar asphalt compactor	\$ 28,859	1.91%	2/2019
Ford F-250	5,753	2.01%	4/2019
4 Bush Hog cutters	5,495	2.01%	5/2019
Chevrolet Pursuit Tahoe	9,888	1.51%	7/2019
Ford F-150	12,944	2.00%	9/2019
3 Dodge Chargers	31,145	1.93%	11/2019
Ford Transit van	15,526	2.03%	3/2020
Chevrolet Tahoe	28,082	2.17%	10/2020
Etnyre asphalt distributor	137,792	2.19%	1/2021
Etnyre chip spreader	228,461	2.19%	1/2021
Dodge Charger	16,312	3.25%	2/2021
Dodge Charger	16,312	3.25%	2/2021
Dodge Charger	17,928	3.29%	5/2021
4 Caterpillar backhoe loaders	248,356	2.07%	5/2021
E-911 system upgrade	220,275	2.19%	6/2021
Ford Taurus	25,174	3.39%	6/2021
Dodge Ram 1500	24,165	3.53%	8/2021
5 Freightliner dump trucks	363,873	3.33%	8/2021
Miller building	107,464	5.25%	3/2022
Buford building	136,727	4.20%	4/2024
County office complex building	221,586	3.25%	1/2027
Workforce training center	292,973	4.20%	3/2033
Total Capital Leases	\$ <u>2,195,090</u>		
c. Other Loans:			
MS Development Authority - CAP loan	\$ 250,138	3.00%	*
NMCC Settlement	800,000	0.00%	3/2031
Tennessee Valley Authority	2,000,000	1.96%	4/2034
MS Development Authority - Roxul loan	4,176,670	3.00%	3/2036
Total Other Loans	\$ <u>7,226,808</u>		

* Loan is past maturity date, and has been considered as uncollectible by Mississippi Development Authority. However, due to state statute, it is still reported as a liability on the County's financial statements.

Marshall County
Notes to Financial Statements
September 30, 2018

Note 9: Long-term Debt (Continued)

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

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2019	\$ 170,000	192,238	\$ 311,990	164,694
2020	175,000	186,631	464,424	165,417
2021	180,000	180,863	471,377	155,749
2022	185,000	174,931	478,539	145,973
2023	190,000	168,838	485,916	135,983
2024 - 2028	2,345,000	636,768	2,119,320	532,357
2029 - 2033	2,755,000	229,729	1,941,392	303,282
2034 - 2038	-	-	953,850	63,186
Total	<u>\$ 6,000,000</u>	<u>1,769,998</u>	<u>\$ 7,226,808</u>	<u>1,666,641</u>

Legal Debt Margin - The amount of debt, excluding specific exempt 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 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 5.16% of the latest property assessments.

Commitments - On October 6, 2008, the Marshall County Board of Supervisors entered into an agreement with the City of Holly Springs relating to the financing for the construction of infrastructure for the Holly Springs Commons. The county's share is limited to 50% of the revenues of the tax increment financing or 50% of the bond payment, whichever is less. The principal balance remaining on these bonds is \$28,000 at September 30, 2018. Amounts due in the next fiscal year for principal and interest are \$28,000 and \$651, respectively.

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

	Balance 10/1/2017	Additions	Reductions	Adjustments	Balance 9/30/2018	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 609,871	52,645	9,026	-	653,490	653,490
General obligation bonds	-	6,000,000	-	-	6,000,000	170,000
Capital leases	1,457,658	1,289,384	551,952	-	2,195,090	681,391
Other loans	5,500,261	2,000,000	273,453	-	7,226,808	311,990
Total	<u>\$ 7,567,790</u>	<u>9,342,029</u>	<u>834,431</u>	<u>-</u>	<u>16,075,388</u>	<u>1,816,871</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, and Emergency 911 Fund.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 10: Contingencies

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

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

Note 11: Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of \$(21,040,846) 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 \$288,317 resulting from 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 \$1,068,626 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 \$519,972 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next four years.

The governmental activities' net position amount includes the effect of recognition of deferring the recognition of revenue resulting from property tax receivable. The \$13,725,863 balance of deferred inflows of resources from property tax for future reporting period at September 30, 2018, will be recognized as revenue in the next fiscal year.

Note 12: Joint Ventures

The county participates in the following joint venture:

Marshall County is a participant with the City of Holly Springs in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Marshall County-Holly Springs Airport Authority. The joint venture was created to provide a governing authority for the airport facilities in Marshall County and is governed by a five-member board of commissioners. The board of commissioners is appointed as follows: Marshall County, two; City of Holly Springs, two; joint, one. The county appropriated \$31,363 for the joint venture in fiscal year 2018.

Note 13: Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Communicare operates in a district composed of the Counties of Calhoun, Lafayette, Marshall, Panola, Tate and Yalobusha. The Marshall County Board of Supervisors appoints one of the six members of the board of commissioners. The county appropriated \$46,819 for Communicare in 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 Marshall County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$704,469 for maintenance and support of the college in fiscal year 2018.

Northeast Mississippi Planning and Development District is composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Marshall County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$53,000 for support of Northeast Mississippi Planning and Development District in fiscal year 2018.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 14: Tax Abatements

GASB 77 requires governments that enter into tax abatement agreements to disclose certain information regarding those abatements. The Marshall County Board of Supervisors enters into property tax abatement agreements with local industry under Sections 27-31-101 and 27-31-105 of the Mississippi Code Annotated (1972). Under the code, the county has the authority in their discretion to exempt from any or all county ad valorem taxes, excluding ad valorem taxes for school districts, the mandatory mill, community college tax levies, and police/fire protection levies.

Mississippi Code Section 27-31-101 allows County Board of Supervisors, at their discretion, to grant tax exemptions for new enterprises from ad valorem taxation for a period not to exceed 10 years. The date of completion of the new enterprise is when the exemption shall begin. The various new enterprises which fall under this code section and are eligible for an exemption are determined by the Mississippi Department of Revenue and are limited to the following: Warehouse and/or distribution centers, manufacturing, processors and refineries, research facilities, corporate regional and national headquarters meeting minimum criteria established by the Mississippi Development Authority, recreational facilities that impact tourism and data/information procession enterprises that both meet minimum established criteria, technology intensive enterprises or facilities, health care industry facilities as defined in Code Section 57-117-3, and telecommunications enterprises meeting minimum criteria.

Mississippi code Section 27-31-105 allows County Board of Supervisors, at their discretion, to grant tax exemptions for any enterprise who makes additions to or expansions of the facilities or properties or replaces equipment used in conjunction with or necessary to the operation of such enterprises from ad valorem taxation for a period not to exceed 10 years. The initial request for exemption must be made in writing by June 1st of the year immediately following the year in which the additions, expansions, or replacements are completed. The time of the exemption shall commence from the date of completion of the additions, expansions, or replacements and shall extend for a period not to exceed 10 years, however the County Board of Supervisors in lieu of granting the exemption for one period of 10 years, may grant the exemption in consecutive periods of five years each, not to exceed 10 years.

A detailed listing of the property tax abatement agreements Marshall County has entered into for the fiscal year ended September 30, 2018 is listed in the table below:

Name	Assessed Value			Millage Abated	Tax Abated
	Personal	Real	Total		
Artisan Frames & Moulding	\$ 6,664	\$ 35,784	\$ 42,448	0.14980	\$ 6,359
ASICS America Corporation	4,378,176	7,693,854	12,072,030	0.14980	1,808,390
Cargill	505,906	1,578,875	2,084,781	0.14980	312,300
Contract Fabricators Inc (CFI)	115,570	472,466	588,036	0.11604	68,236
Hunter Fan	52,576	1,907,300	1,959,876	0.14980	293,589
Lund	120,164	176,543	296,707	0.11604	34,430
Moms Brand/Post	110,921	4,222,406	4,333,327	0.14980	649,132
Parker-Hannifin Corporation	1,172,493	-	1,172,493	0.11604	136,056
RBR Enterprises	973,345	134,819	1,108,164	0.14980	166,003
Smith Transportation	99,006	224,020	323,026	0.14980	48,389
Temputech Inc.	15,620	46,406	62,026	0.14980	9,291
TLC Worldwide Logistics, LLC	5,973	148,080	154,053	0.11604	17,876
Volvo Group North America, LLC	1,403,707	5,328,408	6,732,115	0.14980	1,008,471
	<u>\$ 8,960,121</u>	<u>\$ 21,968,961</u>	<u>\$ 30,929,082</u>		<u>\$ 4,558,522</u>

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2018

Note 15: Mississippi Office of State Auditor Reports

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.

Note 16: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Marshall County evaluated the activity of the County through May 27, 2021, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

- The Board of Supervisors approved the lowest and best bid of \$1,391,536 from SB Construction for ARC Project #MS-19272 Site A and Site B construction on February 4, 2019.
- The Board of Supervisors approved the lowest and best bid of \$393,211 from Standard Construction for Phase I on Amazon Project DIP #403 on March 18, 2019.
- The Board of Supervisors approved the lowest and best bid of \$695,114 from AMG Construction on ARC Project #MS-19272 Sewer Collection System Improvements on July 25, 2019.
- The Board of Supervisors approved the one and only bid of \$921,139 from Standard Construction for Phase II on Amazon Project DIP #403 on July 25, 2019.
- The Board of Supervisors approved the one and only bid of \$365,915 from Eubank Construction Company for Hearthside Project DIP #403 on October 7, 2019.
- The Board of Supervisors approved the lowest and best bid of \$137,508 from Stebil Grading for State Aid Project SAP-47(20)M on December 2, 2019.
- The Board of Supervisors approved the lowest and best bid of \$2,115,000 from J.P. Corporation General Contractors for the construction of a Justice Court Facility at the Marshall County Justice Complex on July 20, 2020.
- The Board of Supervisors approved the lowest and best bid of \$69,731 from Integrated Communications for the purchase of UPS surge protection equipment for E-911 on August 3, 2020.
- The Board of Supervisors approved the purchase, at State Contract Price, of 4 New Holland tractors for \$269,300 and 4 boom mowers for \$122,806.
- 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 its business operations. Due to the nature of the operations of Marshall County, Mississippi, it is management's opinion that there will be a financial impact related to the COVID-19 crisis; however, a true assessment of the potential impact is premature at this point.

REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL 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	\$ 10,410,190	11,040,860	11,040,860	-
Licenses, commissions and other revenue	776,525	901,106	901,106	-
Fines and forfeitures	266,500	251,289	251,289	-
Intergovernmental revenues	2,155,000	2,579,725	2,580,536	811
Charges for services	41,500	36,066	36,066	-
Interest income	74,600	84,957	89,683	4,726
Miscellaneous revenues	54,000	324,334	324,334	-
Total Revenues	<u>13,778,315</u>	<u>15,218,337</u>	<u>15,223,874</u>	<u>5,537</u>
EXPENDITURES				
Current:				
General government	6,997,919	6,494,266	6,494,266	-
Public safety	5,417,454	5,320,128	5,320,128	-
Public works	200,283	186,632	186,632	-
Health and welfare	958,998	839,052	839,052	-
Culture and recreation	186,834	177,219	177,219	-
Education	46,851	343,955	343,955	-
Conservation of natural resources	141,785	109,868	109,868	-
Economic development and assistance	631,319	609,488	609,488	-
Debt service	304,152	605,650	605,650	-
Total Expenditures	<u>14,885,595</u>	<u>14,686,258</u>	<u>14,686,258</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(1,107,280)</u>	<u>532,079</u>	<u>537,616</u>	<u>5,537</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	72,488	72,488
Compensation for loss of capital assets	-	-	20,438	20,438
Transfers in	61,665	61,665	167,725	106,060
Transfers out	<u>(494,046)</u>	<u>(494,096)</u>	<u>(1,396,851)</u>	<u>(902,755)</u>
Total Other Financing Sources and Uses	<u>(432,381)</u>	<u>(432,431)</u>	<u>(1,136,200)</u>	<u>(703,769)</u>
Net Change in Fund Balance	<u>(1,539,661)</u>	<u>99,648</u>	<u>(598,584)</u>	<u>(698,232)</u>
Fund Balances - Beginning	<u>2,741,205</u>	<u>2,741,205</u>	<u>4,679,027</u>	<u>1,937,822</u>
Fund Balances - Ending	<u>\$ 1,201,544</u>	<u>2,840,853</u>	<u>4,080,443</u>	<u>1,239,590</u>

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

MARSHALL COUNTY
 Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
 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	\$ 4,531,156	4,821,604	4,821,604	-
Road and bridge privilege taxes	504,163	479,725	479,725	-
Licenses, commissions and other revenues	10,000	30,255	30,255	-
Intergovernmental revenues	970,000	985,971	985,971	-
Interest income	25,000	26,222	26,222	-
Miscellaneous revenues	40,100	220,279	220,279	-
Total Revenues	<u>6,080,419</u>	<u>6,564,056</u>	<u>6,564,056</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	7,248,985	7,152,720	7,152,720	-
Debt service	-	266,696	266,696	-
Total Expenditures	<u>7,248,985</u>	<u>7,419,416</u>	<u>7,419,416</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(1,168,566)</u>	<u>(855,360)</u>	<u>(855,360)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	114,373	114,373	-
Compensation for loss of capital assets	-	7,500	7,500	-
Transfers in	-	477,346	477,346	-
Transfers out	-	-	(10,903)	(10,903)
Total Other Financing Sources and Uses	<u>-</u>	<u>599,219</u>	<u>588,316</u>	<u>(10,903)</u>
Net Change in Fund Balance	<u>(1,168,566)</u>	<u>(256,141)</u>	<u>(267,044)</u>	<u>(10,903)</u>
Fund Balances - Beginning	<u>2,363,784</u>	<u>2,395,581</u>	<u>3,087,383</u>	<u>691,802</u>
Fund Balances - Ending	<u>\$ 1,195,218</u>	<u>2,139,440</u>	<u>2,820,339</u>	<u>680,899</u>

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

MARSHALL COUNTY
 Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
 Justice Complex Expansion Fund
 For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ -	23,316	23,316	-
Total Revenues	-	23,316	23,316	-
EXPENDITURES				
Current:				
Culture and recreation	-	115,869	115,869	-
Total Expenditures	-	115,869	115,869	-
Excess of Revenues over (under) Expenditures	-	(92,553)	(92,553)	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	5,786,600	5,786,600	-
Total Other Financing Sources and Uses	-	5,786,600	5,786,600	-
Net Change in Fund Balance	-	5,694,047	5,694,047	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	\$ -	5,694,047	5,694,047	-

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

MARSHALL 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 proportionate share of the net pension liability	0.113575%	0.107956%	0.103580%	0.104444%	0.106381%
County's proportion of net pension liability	\$ 18,890,897	\$ 17,945,951	\$ 18,501,974	\$ 16,144,983	\$ 12,912,706
County's covered payroll	\$ 7,251,815	\$ 6,925,414	\$ 6,626,219	\$ 6,525,083	\$ 6,500,406
County's proportionate share of the net pension liability as a percentage of its covered payroll	260.50%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

* The amounts presented were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB No. 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 accompanying notes to required supplementary information are an integral part of this schedule.

MARSHALL COUNTY
Schedule of County Contributions
PERS
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,151,402	\$ 1,107,293	\$ 1,050,218	\$ 1,036,636	\$ 1,010,587
Contribution in relation to the contractually required contribution	(1,151,402)	(1,107,293)	(1,050,218)	(1,036,636)	(1,010,587)
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
County's covered payroll	\$ 7,310,465	\$ 7,029,412	\$ 6,668,038	\$ 6,581,806	\$ 6,416,418
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

* The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB No. 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 accompanying notes to required supplementary information are an integral part of this schedule.

MARSHALL COUNTY
Notes to Required Supplementary Information
September 30, 2018
Unaudited

Budgetary Comparison Schedule

1. 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 Tax Assessor and Tax 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 encumbered 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.

2. 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 – Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

3. 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	Road Maintenance Fund	Justice Complex Expansion Fund
Budget (Cash Basis)	\$ (598,584)	(267,044)	5,694,047
Increase (Decrease)			
Net adjustments for revenue accruals	(134,844)	146,734	-
Net adjustments for expenditure accruals	13,919	(943,893)	-
Adjustment for long-term debt issued	400,706	841,268	-
GAAP Basis	\$ <u>(318,803)</u>	<u>(222,935)</u>	<u>5,694,047</u>

MARSHALL COUNTY
Notes to Required Supplementary Information
September 30, 2018
Unaudited

4. Pension Schedules

1. Changes of assumptions

2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to 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 rather than projected with Scale BB to 2016, which was used prior to 2017. 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 experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

2. Changes in benefit provisions

2016

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

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

SUPPLEMENTARY INFORMATION

MARSHALL COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Appalachian Regional Commission (ARC)			
Passed-through the Mississippi Development Authority			
Appalachian Area Development	* 23.002	MS-18554	\$ 1,196,939
Appalachian Area Development	* 23.002	MS-18912	152,857
Total Appalachian Regional Commission			<u>1,349,796</u>
U.S. Department of Agriculture - Forest Service			
Passed-through the Mississippi State Treasurer's Office			
School and Roads-grants to states	10.665	N/A	64,288
Total U.S. Department of Agriculture - Forest Service			<u>64,288</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226	N/A	104,954
National Wildlife Refuge Fund	15.659	N/A	1,533
Total U.S. Department of the Interior			<u>106,487</u>
U.S. Department of Justice			
Equitable Sharing Funds	16.922	N/A	8,314
Total U.S. Department of Justice			<u>8,314</u>
U.S. Department of Homeland Security			
Passed-through Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	155,267
Total U.S. Department of Homeland Security			<u>155,267</u>
Total Expenditures of Federal Awards			<u>\$ 1,684,152</u>

* Denotes major federal award program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Marshall County and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparations of, the basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Marshall County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Marshall County.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

Marshall County has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER INFORMATION

MARSHALL COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018
Unaudited

Name	Position	Company	Bond
Charles Terry	Supervisor District 1	Travelers Casualty & Surety Company	\$100,000
Eddie Dixon	Supervisor District 2	Travelers Casualty & Surety Company	100,000
Keith Taylor	Supervisor District 3	Travelers Casualty & Surety Company	100,000
George Zinn, III	Supervisor District 4	Travelers Casualty & Surety Company	100,000
Ronnie Joe Bennett	Supervisor District 5	Travelers Casualty & Surety Company	100,000
Larry Hall	County Administrator	Travelers Casualty & Surety Company	100,000
C. W. Chuck Thomas	Chancery Clerk	Travelers Casualty & Surety Company	100,000
Susie Hill	Comptroller	Greer & White Insurance	100,000
Lucy Carpenter	Circuit Clerk	Travelers Casualty & Surety Company	100,000
Blanket Bond - 4 People	Deputy Circuit Clerk	Travelers Casualty & Surety Company	100,000
Juanita Dillard	Tax Assessor	Travelers Casualty & Surety Company	100,000
Blanket Bond - 6 People	Deputy Tax Assessor	Travelers Casualty & Surety Company	100,000
Betty Byrd	Tax Collector	Travelers Casualty & Surety Company	100,000
Blanket Bond - 11 People	Deputy Tax Collector	Travelers Casualty & Surety Company	100,000
Flora Mae Garrison	Justice Court Judge	Travelers Casualty & Surety Company	100,000
Earnest Cunningham	Justice Court Judge	Travelers Casualty & Surety Company	100,000
Monet Autrey	Justice Court Clerk	Travelers Casualty & Surety Company	100,000
Blanket Bond - 12 People	Deputy Justice Court Clerk	Travelers Casualty & Surety Company	100,000
Kenny Dickerson	Sheriff	Travelers Casualty & Surety Company	100,000
Don Cothorn	Constable	Travelers Casualty & Surety Company	50,000
Michael Perkins	Constable	Travelers Casualty & Surety Company	50,000
Larry Hall	Road Manager	Travelers Casualty & Surety Company	100,000
Renee Childress	Purchasing Clerk	Travelers Casualty & Surety Company	100,000
Blanket Bond - 1 Person	Deputy Purchasing Clerk	Travelers Casualty & Surety Company	100,000
Terica Moss	Receiving Clerk	Travelers Casualty & Surety Company	100,000
Blanket Bond - 3 People	Deputy Receiving Clerk	Travelers Casualty & Surety Company	100,000
Donna Cooper	Inventory Control Clerk	Travelers Casualty & Surety Company	\$100,000

SPECIAL REPORTS



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

James L. Stafford, CPA	Stephen D. Flake, CPA
Harry W. Stevens, CPA	John N. Russell, CPA
S. Keith Winfield, CPA	Thomas A. Davis, CPA
William B. Staggers, CPA	Anita L. Goodrum, CPA
Michael W. McCully, 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	Edward A. Maxwell, CPA
Thomas J. Browder, CPA	

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

Members of the Board of Supervisors
Marshall 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, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, (the County) as of and for the year ended September 30, 2018, and the related notes to financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 27, 2021. 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 Marshall 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 Marshall County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of Marshall County, Mississippi's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall 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*.

Marshall County, Mississippi's Response to Findings

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

Purpose of this Report

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

Eupora, Mississippi
May 27, 2021

Watkins Ward and Stafford, PLLC



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

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Supervisors
Marshall County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Marshall County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Marshall County, Mississippi's major federal program for the year ended September 30, 2018. Marshall County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Marshall County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination Marshall County, Mississippi's compliance.

Opinion on the Major Federal Program

In our opinion, Marshall County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of Marshall County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marshall County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marshall County, Mississippi's internal control over compliance.

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

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

Purpose of this Report

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

Eupora, Mississippi
May 27, 2021

Watkins Ward and Stafford, P.C.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARSHALL COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section 1: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' report issued on the financial statements:

Governmental activities	Unmodified
Aggregate discretely presented component unit	Adverse
General Fund	Unmodified
Road Maintenance Fund	Unmodified
Justice Complex Expansion Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified that are not considered to be a material weakness? None reported
3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major program:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified? None reported
5. Type of auditors' report issued on compliance for major program: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No
7. Identification of major program

CFDA Number	Name of Federal Program or Cluster
23.002	Appalachian Area Development
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to Federal awards which would require the auditee to prepare a Summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? No

MARSHALL COUNTY
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2018

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

2018-001. Component units should be included in the financial statements

Repeat Finding Yes, 2017-001

Criteria 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.

Condition As reported in the prior nine years' audit reports, the financial statements do not include the financial data for the county's legally separate component units.

Cause The County lacked the resources to include the audited financial statements of the component units.

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

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

Views of Responsible
Official(s) Due to the restrictive budgets and financial burden, the County chose not to include the component units in the financial statements.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.