

MARION COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2015

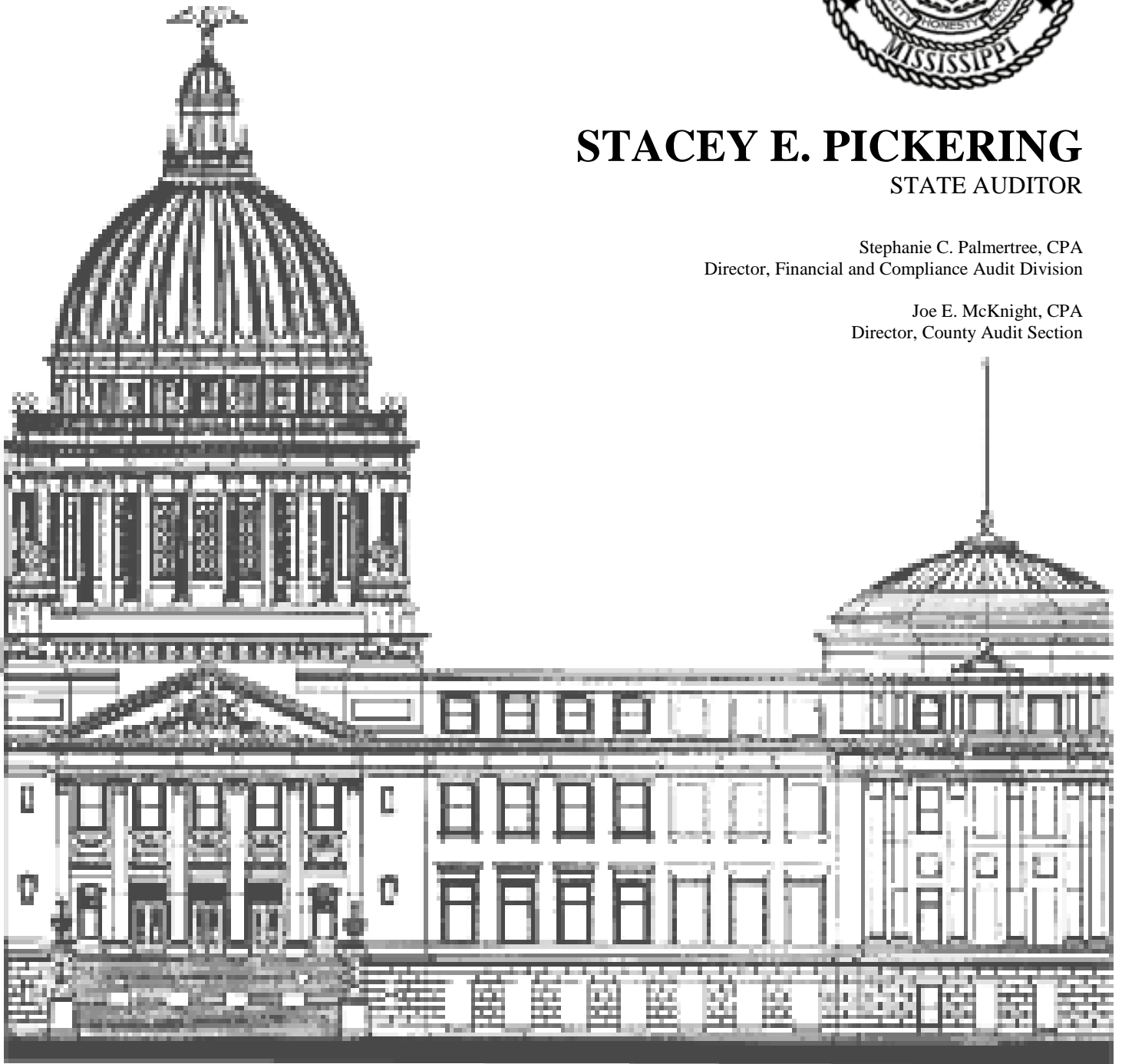


STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

May 31, 2017

Members of the Board of Supervisors
Marion County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Marion County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Marion County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Marion County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

MARION COUNTY

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MARION COUNTY

FINANCIAL SECTION

MARION COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Marion County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Marion County, Mississippi, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

The financial statements do not include financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit 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 unit. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component unit 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 Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Marion County, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of Marion County, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash-flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

Marion 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 Marion County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017 on our consideration of Marion County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marion County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 31, 2017

MARION COUNTY

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MARION COUNTY

FINANCIAL STATEMENTS

MARION COUNTY

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MARION COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1

| | Primary Government | | |
|---|----------------------------|-----------------------------|--------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash | \$ 5,046,578 | 469,316 | 5,515,894 |
| Restricted assets - investments | | 1,290,957 | 1,290,957 |
| Property tax receivable | 7,069,679 | 76,235 | 7,145,914 |
| Accounts receivable (net of allowance for uncollectibles of \$206,634) | | 439,098 | 439,098 |
| Fines receivable (net of allowance for uncollectibles of \$2,284,018) | 506,778 | | 506,778 |
| Intergovernmental receivables | 194,681 | 137,794 | 332,475 |
| Other receivables | 11,573 | 57,475 | 69,048 |
| Internal balances | 486,241 | (486,241) | |
| Capital assets: | | | |
| Land and construction in progress | 663,344 | 60,000 | 723,344 |
| Other capital assets, net | 29,036,214 | 6,892,555 | 35,928,769 |
| Total Assets | 43,015,088 | 8,937,189 | 51,952,277 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 1,531,750 | 846,371 | 2,378,121 |
| Deferred amount on refunding | | 93,958 | 93,958 |
| Total Deferred Outflows of Resources | 1,531,750 | 940,329 | 2,472,079 |
| LIABILITIES | | | |
| Claims payable | 492,365 | 150,433 | 642,798 |
| Intergovernmental payables | 445,497 | | 445,497 |
| Accrued interest payable | 74,544 | 13,080 | 87,624 |
| Unearned revenue | | 39,263 | 39,263 |
| Other payables | 83,993 | | 83,993 |
| Long-term liabilities | | | |
| Net pension liability | 8,358,784 | 4,618,694 | 12,977,478 |
| Due within one year: | | | |
| Capital debt | 492,522 | 741,634 | 1,234,156 |
| Non-capital debt | 291,270 | | 291,270 |
| Due in more than one year: | | | |
| Capital debt | 2,230,489 | 4,440,025 | 6,670,514 |
| Non-capital debt | 2,599,538 | | 2,599,538 |
| Total Liabilities | 15,069,002 | 10,003,129 | 25,072,131 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | | | |
| Deferred revenues - property taxes | 7,069,679 | 76,235 | 7,145,914 |
| Total Deferred Inflows of Resources | 7,069,679 | 76,235 | 7,145,914 |
| NET POSITION | | | |
| Net investment in capital assets | 26,976,547 | 1,864,854 | 28,841,401 |
| Restricted for: | | | |
| Expendable: | | | |
| General government | 77,919 | | 77,919 |
| Public safety | 954,239 | | 954,239 |
| Public works | 1,439,391 | 336,461 | 1,775,852 |
| Culture and recreation | 132,007 | | 132,007 |
| Economic development and assistance | 15,698 | | 15,698 |
| Debt service | 744,656 | | 744,656 |
| Unemployment compensation | 32,748 | | 32,748 |
| Unrestricted | (7,965,048) | (2,403,161) | (10,368,209) |
| Total Net Position | \$ 22,408,157 | (201,846) | 22,206,311 |

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Activities
For the Year Ended September 30, 2015

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 4,367,670 | 410,301 | 31,204 | | (3,926,165) | | (3,926,165) |
| Public safety | 3,627,033 | 414,023 | 1,250,057 | | (1,962,953) | | (1,962,953) |
| Public works | 4,076,970 | | 1,236,004 | 132,381 | (2,708,585) | | (2,708,585) |
| Health and welfare | 983,423 | | 620,888 | | (362,535) | | (362,535) |
| Culture and recreation | 122,589 | | | | (122,589) | | (122,589) |
| Conservation of natural resources | 67,751 | | | | (67,751) | | (67,751) |
| Economic development and assistance | 1,255,947 | | 748,000 | | (507,947) | | (507,947) |
| Interest on long-term debt | 199,206 | | | | (199,206) | | (199,206) |
| Pension expense | 1,021,730 | | | | (1,021,730) | | (1,021,730) |
| Total Governmental Activities | 15,722,319 | 824,324 | 3,886,153 | 132,381 | (10,879,461) | | (10,879,461) |
| Business-type activities: | | | | | | | |
| Marion/Walthall Correctional Facility | 5,003,934 | 4,180,825 | | | | (823,109) | (823,109) |
| Marion County Women's Facility | 861,959 | 685,142 | | | | (176,817) | (176,817) |
| Garbage and Solid Waste | 1,057,618 | 852,953 | | | | (204,665) | (204,665) |
| Total Business-type Activities | 6,923,511 | 5,718,920 | 0 | 0 | | (1,204,591) | (1,204,591) |
| Total Primary Government | \$ 22,645,830 | 6,543,244 | 3,886,153 | 132,381 | (10,879,461) | (1,204,591) | (12,084,052) |
| General revenues: | | | | | | | |
| Property taxes | | | | | \$ 8,997,174 | 404,011 | 9,401,185 |
| Road & bridge privilege taxes | | | | | 304,080 | | 304,080 |
| Grants and contributions not restricted to specific programs | | | | | 686,007 | 92,549 | 778,556 |
| Unrestricted interest income | | | | | 16,471 | 1,018 | 17,489 |
| Miscellaneous | | | | | 970,405 | 23,742 | 994,147 |
| Transfers | | | | | (38,193) | 38,193 | 0 |
| Total General Revenues and Transfers | | | | | 10,935,944 | 559,513 | 11,495,457 |
| Changes in Net Position | | | | | 56,483 | (645,078) | (588,595) |
| Net Position - Beginning, as previously reported | | | | | 28,437,018 | 3,945,685 | 32,382,703 |
| Prior period adjustments | | | | | (6,085,344) | (3,502,453) | (9,587,797) |
| Net Position - Beginning, as restated | | | | | 22,351,674 | 443,232 | 22,794,906 |
| Net Position - Ending | | | | | \$ 22,408,157 | (201,846) | 22,206,311 |

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Balance Sheet - Governmental Funds
September 30, 2015

Exhibit 3

| | Major Fund | Other | Total |
|---|--------------|--------------|--------------|
| | General | Governmental | Governmental |
| | Fund | Funds | Funds |
| ASSETS | | | |
| Cash | \$ 1,515,850 | 3,530,728 | 5,046,578 |
| Property tax receivable | 5,607,932 | 1,461,747 | 7,069,679 |
| Fines receivable (net of allowance for uncollectibles of \$2,284,018) | 506,778 | | 506,778 |
| Intergovernmental receivables | 188,681 | 6,000 | 194,681 |
| Other receivables | 10,359 | 1,214 | 11,573 |
| Due from other funds | 506,887 | 139,430 | 646,317 |
| Total Assets | \$ 8,336,487 | 5,139,119 | 13,475,606 |
| LIABILITIES | | | |
| Liabilities: | | | |
| Claims payable | \$ 294,728 | 197,637 | 492,365 |
| Intergovernmental payables | 412,919 | | 412,919 |
| Due to other funds | 184,121 | 8,533 | 192,654 |
| Other payables | 83,993 | | 83,993 |
| Total Liabilities | 975,761 | 206,170 | 1,181,931 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable revenue - property taxes | 5,607,932 | 1,461,747 | 7,069,679 |
| Unavailable revenue - fines | 506,778 | | 506,778 |
| Total deferred inflows of resources | 6,114,710 | 1,461,747 | 7,576,457 |
| Fund balances: | | | |
| Restricted for: | | | |
| General government | | 77,919 | 77,919 |
| Public safety | | 954,239 | 954,239 |
| Public works | | 1,439,391 | 1,439,391 |
| Culture and recreation | | 132,007 | 132,007 |
| Economic development and assistance | | 15,698 | 15,698 |
| Debt service | | 819,200 | 819,200 |
| Unemployment compensation | | 32,748 | 32,748 |
| Assigned to: | | | |
| General government | 22,034 | | 22,034 |
| Unassigned | 1,223,982 | | 1,223,982 |
| Total Fund Balances | 1,246,016 | 3,471,202 | 4,717,218 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 8,336,487 | 5,139,119 | 13,475,606 |

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015

| | <u>Amount</u> |
|--|-----------------------------|
| Total Fund Balance - Governmental Funds | \$ 4,717,218 |
| 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 \$53,457,750. | 29,699,558 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 506,778 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (5,613,819) |
| Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. | (8,358,784) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | (74,544) |
| Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds: | <u>1,531,750</u> |
| Total Net Position - Governmental Activities | \$ <u><u>22,408,157</u></u> |

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2015

| | Major Fund | Other | Total |
|---|--------------|--------------|--------------|
| | General | Governmental | Governmental |
| | Fund | Funds | Funds |
| REVENUES | | | |
| Property taxes | \$ 6,877,198 | 2,119,976 | 8,997,174 |
| Road and bridge privilege taxes | | 304,080 | 304,080 |
| Licenses, commissions and other revenue | 298,336 | 7,493 | 305,829 |
| Fines and forfeitures | 281,473 | | 281,473 |
| Intergovernmental revenues | 1,620,283 | 3,084,258 | 4,704,541 |
| Charges for services | | 287,445 | 287,445 |
| Interest income | 7,895 | 8,576 | 16,471 |
| Miscellaneous revenues | 508,135 | 450,672 | 958,807 |
| Total Revenues | 9,593,320 | 6,262,500 | 15,855,820 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 4,250,423 | 342,115 | 4,592,538 |
| Public safety | 2,893,068 | 888,008 | 3,781,076 |
| Public works | 1,169,203 | 2,863,801 | 4,033,004 |
| Health and welfare | 331,707 | 576,000 | 907,707 |
| Culture and recreation | 127,933 | 321 | 128,254 |
| Conservation of natural resources | 68,686 | | 68,686 |
| Economic development and assistance | 132,366 | 1,080,912 | 1,213,278 |
| Debt service: | | | |
| Principal | 173,871 | 614,928 | 788,799 |
| Interest | 81,138 | 127,335 | 208,473 |
| Total Expenditures | 9,228,395 | 6,493,420 | 15,721,815 |
| Excess of Revenues over (under) Expenditures | 364,925 | (230,920) | 134,005 |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-term capital debt issued | 101,483 | 96,192 | 197,675 |
| Long-term non-capital debt issued | | 850,000 | 850,000 |
| Proceeds from sale of capital assets | 18,458 | | 18,458 |
| Transfers in | 381 | 297,948 | 298,329 |
| Transfers out | (336,141) | (381) | (336,522) |
| Total Other Financing Sources and Uses | (215,819) | 1,243,759 | 1,027,940 |
| Net Changes in Fund Balances | 149,106 | 1,012,839 | 1,161,945 |
| Fund Balances - Beginning, as previously reported | 1,096,910 | 2,177,789 | 3,274,699 |
| Prior period adjustment | | 280,574 | 280,574 |
| Fund Balances - Beginning, as restated | 1,096,910 | 2,458,363 | 3,555,273 |
| Fund Balances - Ending | \$ 1,246,016 | 3,471,202 | 4,717,218 |

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Exhibit 4-1

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, 2015

| | <u>Amount</u> |
|---|-------------------------|
| Net Changes in Fund Balances - Governmental Funds | \$ 1,161,945 |
| 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 depreciation of \$653,016 exceeded capital outlays of \$339,776 in the current period. | (313,240) |
| In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$11,598 and the proceeds from the sale of \$18,458 in the current period. | (6,860) |
| 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. | (50,423) |
| 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 \$1,047,675 exceeded debt repayments of \$788,799. | (258,876) |
| 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 decrease in accrued interest payable. | 9,267 |
| 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 period | (1,021,730) |
| Recording of contributions made during the fiscal year | <u>536,400</u> |
| Change in Net Position of Governmental Activities | \$ <u><u>56,483</u></u> |

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Net Position - Proprietary Funds
September 30, 2015

Exhibit 5

| Business-type Activities - Enterprise Funds | | | | |
|---|--|-----------------------------------|--------------------------|-------------|
| Major Funds | | | | |
| | Marion/Walthall Correctional Facility | Marion County Women's Facility | Garbage & Solid Waste | Totals |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | \$ 401,606 | 3,001 | 64,709 | 469,316 |
| Restricted assets - investments | 1,290,957 | | | 1,290,957 |
| Property tax receivable | | | 76,235 | 76,235 |
| Accounts receivable (net of allowance for uncollectibles of \$206,634) | | | 439,098 | 439,098 |
| Intergovernmental receivables | 35,620 | 102,174 | | 137,794 |
| Other receivables | 23,600 | | 33,875 | 57,475 |
| Due from other funds | 15,695 | | 4,951 | 20,646 |
| Total Current Assets | 1,767,478 | 105,175 | 618,868 | 2,491,521 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Land and construction in progress | 60,000 | | | 60,000 |
| Other capital assets, net | 5,390,117 | 1,172,815 | 329,623 | 6,892,555 |
| Total Noncurrent Assets | 5,450,117 | 1,172,815 | 329,623 | 6,952,555 |
| Total Assets | 7,217,595 | 1,277,990 | 948,491 | 9,444,076 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions | 795,713 | 19,980 | 30,678 | 846,371 |
| Deferred amount on refunding | 57,043 | 36,915 | | 93,958 |
| Total Deferred Outflows of Resources | 852,756 | 56,895 | 30,678 | 940,329 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Claims payable | 109,652 | 19,856 | 20,925 | 150,433 |
| Due to other funds | 317,148 | 182,772 | 6,967 | 506,887 |
| Accrued interest payable | 8,683 | 2,108 | 2,289 | 13,080 |
| Unearned revenue | | | 39,263 | 39,263 |
| Capital debt: | | | | |
| Other long-term liabilities | 562,611 | 145,292 | 33,731 | 741,634 |
| Total Current Liabilities | 998,094 | 350,028 | 103,175 | 1,451,297 |
| Noncurrent liabilities: | | | | |
| Net pension liability | 4,342,287 | 109,001 | 167,406 | 4,618,694 |
| Capital debt: | | | | |
| Other long-term liabilities | 3,257,460 | 1,111,748 | 70,817 | 4,440,025 |
| Total Noncurrent Liabilities | 7,599,747 | 1,220,749 | 238,223 | 9,058,719 |
| Total Liabilities | 8,597,841 | 1,570,777 | 341,398 | 10,510,016 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenues - property taxes | | | 76,235 | 76,235 |
| Total Deferred Inflows of Resources | 0 | 0 | 76,235 | 76,235 |
| NET POSITION | | | | |
| Net investment in capital assets | 1,687,089 | (47,310) | 225,075 | 1,864,854 |
| Restricted for: | | | | |
| Public works | | | 336,461 | 336,461 |
| Unrestricted | (2,214,579) | (188,582) | | (2,403,161) |
| Total Net Position | \$ (527,490) | (235,892) | 561,536 | (201,846) |

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended September 30, 2015

| | Business-type Activities - Enterprise Funds | | | |
|--|---|-----------------------------------|--------------------------|-------------|
| | Major Funds | | | |
| | Marion/Walthall Correctional Facility | Marion County Women's Facility | Garbage & Solid Waste | Totals |
| Operating Revenues | | | | |
| Charges for services | \$ 4,180,825 | 685,142 | 852,953 | 5,718,920 |
| Miscellaneous | 22,878 | 844 | 20 | 23,742 |
| Total Operating Revenues | 4,203,703 | 685,986 | 852,973 | 5,742,662 |
| Operating Expenses | | | | |
| Personal services | 2,578,886 | 488,581 | 90,316 | 3,157,783 |
| Pension expense | 530,770 | 13,325 | 20,463 | 564,558 |
| Contractual services | 611,557 | 169,977 | 907,540 | 1,689,074 |
| Materials and supplies | 904,745 | 118,478 | 8,062 | 1,031,285 |
| Depreciation expense | 155,771 | 30,849 | 9,573 | 196,193 |
| Indirect administrative cost | 30,881 | 7,621 | 6,967 | 45,469 |
| Total Operating Expenses | 4,812,610 | 828,831 | 1,042,921 | 6,684,362 |
| Operating Income (Loss) | (608,907) | (142,845) | (189,948) | (941,700) |
| Nonoperating Revenues (Expenses) | | | | |
| Property tax | 304,239 | | 99,772 | 404,011 |
| Interest income | 796 | 54 | 168 | 1,018 |
| Intergovernmental grants | 50,337 | | 42,212 | 92,549 |
| Gain (loss) on sale of capital assets | | | (10,906) | (10,906) |
| Interest expense | (191,324) | (33,128) | (3,791) | (228,243) |
| Net Nonoperating Revenue (Expenses) | 164,048 | (33,074) | 127,455 | 258,429 |
| Net Income (Loss) Before Capital Contributions, and Transfers | (444,859) | (175,919) | (62,493) | (683,271) |
| Transfers in | 55,115 | 38,193 | | 93,308 |
| Transfers out | | (55,115) | | (55,115) |
| Changes in Net Position | (389,744) | (192,841) | (62,493) | (645,078) |
| Net Position - Beginning, as previously reported | 3,154,991 | 39,654 | 751,040 | 3,945,685 |
| Prior period adjustments | (3,292,737) | (82,705) | (127,011) | (3,502,453) |
| Net Position - Beginning, as restated | (137,746) | (43,051) | 624,029 | 443,232 |
| Net Position - Ending | \$ (527,490) | (235,892) | 561,536 | (201,846) |

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2015

Exhibit 7

| | Business-type Activities - Enterprise Funds | | | |
|---|---|-----------------------------------|--------------------------|-------------|
| | Major Funds | | | |
| | Marion/Walthall Correctional Facility | Marion County Women's Facility | Garbage & Solid Waste | Totals |
| Cash Flows From Operating Activities | | | | |
| Receipts from customers | \$ 4,644,629 | 805,864 | 836,706 | 6,287,199 |
| Payments to suppliers | (1,553,446) | (313,754) | (922,673) | (2,789,873) |
| Payments to employees | (2,849,670) | (585,044) | (101,062) | (3,535,776) |
| Other operating cash receipts | 22,878 | 844 | 20 | 23,742 |
| Net Cash Provided (Used) by Operating Activities | 264,391 | (92,090) | (187,009) | (14,708) |
| Cash Flows From Noncapital Financing Activities | | | | |
| Intergovernmental grants received | 50,337 | | 42,212 | 92,549 |
| Cash received from property taxes | 305,163 | | 99,884 | 405,047 |
| Cash received from other funds: | | | | |
| Operating transfers in | 55,115 | 38,193 | | 93,308 |
| Loans from other funds | 286,267 | 175,151 | | 461,418 |
| Cash paid to other funds: | | | | |
| Operating transfers out | | (55,115) | | (55,115) |
| Interfund loan repayments | (34,517) | (7,893) | (7,665) | (50,075) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 662,365 | 150,336 | 134,431 | 947,132 |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Acquisition and construction of capital assets | (10,165) | | | (10,165) |
| Principal paid on long-term debt | (540,000) | (145,000) | (32,662) | (717,662) |
| Interest paid on debt | (174,921) | (28,146) | (3,788) | (206,855) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (725,086) | (173,146) | (36,450) | (934,682) |
| Cash Flows From Investing Activities | | | | |
| Interest on deposits | 796 | 54 | 168 | 1,018 |
| Net Cash Provided (Used) by Investing Activities | 796 | 54 | 168 | 1,018 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 202,466 | (114,846) | (88,860) | (1,240) |
| Cash and Cash Equivalents at Beginning of Year | 1,490,097 | 117,847 | 153,569 | 1,761,513 |
| Adjustments to Beginning of Year Cash Due to Fund Reclassification | | | | 0 |
| Cash and Cash Equivalents at End of Year | \$ 1,692,563 | 3,001 | 64,709 | 1,760,273 |

MARION COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2015

Exhibit 7

| | Business-type Activities - Enterprise Funds | | | Totals |
|---|---|-----------------------------------|--------------------------|-----------|
| | Major Funds | | | |
| | Marion/Walthall Correctional Facility | Marion County Women's Facility | Garbage & Solid Waste | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating income (loss) | \$ (608,907) | (142,845) | (189,948) | (941,700) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 155,771 | 30,849 | 9,573 | 196,193 |
| Provision for uncollectible accounts | | | 6,940 | 6,940 |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | | | (21,687) | (21,687) |
| (Increase) decrease in intergovernmental receivables | 438,513 | 120,722 | | 559,235 |
| (Increase) decrease in interfund receivables | 48,891 | | | 48,891 |
| (Increase) decrease in other receivables | (23,600) | | (3,989) | (27,589) |
| Increase (decrease) in claims payable | (26,894) | (65,680) | (6,356) | (98,930) |
| Increase (decrease) in interfund payables | 30,881 | (41,270) | 6,967 | (3,422) |
| Increase (decrease) in unearned revenue | | | 2,489 | 2,489 |
| Increase (decrease) in accrued interest payable | (2,420) | (182) | (716) | (3,318) |
| Increase (decrease) in pension liability and deferred outflows (net) | 252,156 | 6,316 | 9,718 | 268,190 |
| Total Adjustments | 873,298 | 50,755 | 2,939 | 926,992 |
| Net Cash Provided (Used) by Operating Activities | \$ 264,391 | (92,090) | (187,009) | (14,708) |

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 8

| | <u>Agency Funds</u> |
|------------------------------------|-------------------------|
| ASSETS | |
| Cash | \$ 199,668 |
| Due from other funds | <u>32,578</u> |
| Total Assets | <u>\$ 232,246</u> |
| LIABILITIES | |
| Amounts held in custody for others | \$ 153,112 |
| Intergovernmental payables | <u>79,134</u> |
| Total Liabilities | <u>\$ 232,246</u> |

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

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MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

Management has chosen to omit from these financial statements the following component unit which has significant operational or financial relationship with the County. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Marion County Economic Development District

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 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.

The County reports the following major Enterprise Funds:

Marion/Walthall Correctional Facility Fund - This fund is used to account for the County's activities of the men's correctional facility.

Marion County Women's Facility Fund - This fund is used to account for the County's activities of the women's correctional facility.

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

Additionally, the County reports the following fund types:

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the board 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 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. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

H. Restricted Assets.

Proprietary Fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain proceeds of the County's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue" fund is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of the trust agreement. The "depreciation and operating reserve" fund is used to pay the costs of major repairs and replacements to the correctional facility the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The "excess revenue" fund is used to pay the costs of major repairs and replacements to the correctional facility as well as to pay operating and maintenance expense when other funds are insufficient to pay these expenses within established limitations. The "debt service reserve" account is used to report resources set aside to subsidize potential deficiencies from the County's operation that could adversely affect debt service payments. The "general" account is used to accumulate funds to pay the principal and interest payments due on the county's enterprise fund revenue bonds. When both restricted and nonrestricted assets are available for use, the policy is to use the restricted assets first.

I. Capital Assets.

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

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

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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

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

J. Deferred Outflows/Inflows of Resources:

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

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

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 11 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 – 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 11 for additional details.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

K. Pensions.

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

L. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, 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.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Government 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.

Assigned fund balance includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by Section 19-3-59, Miss. Code Ann. (1972).

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.

N. Property Tax Revenues:

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

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

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

O. Intergovernmental Revenues in Governmental Funds.

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

P. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; GASB Statement No. 69, *Government Combinations and Disposal of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Prior Period Adjustments.

A summary of the significant fund equity adjustments are as follows:

Exhibit 2 – Statement of Activities.

| Explanation | Amount |
|--|----------------|
| <u>Governmental Activities:</u> | |
| Implementation of GASB 68 and 71: | \$ |
| Net Pension Liability as of 9/30/14 | (6,461,894) |
| Deferred outflows - contribution made during fiscal year 2014 | 120,190 |
| To properly record cash balance on the County's books | 280,574 |
| To properly record capital asset balances within the Governmental Activities | (24,214) |
| Total governmental activities prior period adjustments | \$ (6,085,344) |
| <u>Business-type Activities:</u> | |
| Implementation of GASB 68 and 71: | \$ |
| Net Pension Liability as of 9/30/14 | (3,570,545) |
| Deferred outflows - contributions made during fiscal year 2014 | 66,411 |
| To properly record capital assets within Business-Type Activities | 1,681 |
| Total business-type activities prior period adjustments | \$ (3,502,453) |

Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds.

| Explanation | Amount |
|--|------------|
| To properly record the cash balances on the County's books | \$ 280,574 |

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.

| Explanation | Amount |
|---|----------------|
| Implementation of GASB 68 and 71: | \$ |
| Net Pension Liability as of 9/30/14 | (3,570,545) |
| Deferred outflows - contributions made during fiscal year 2014 | 66,411 |
| To properly record capital asset balances within the Business-Type Activities | 1,681 |
| Total prior period adjustments | \$ (3,502,453) |

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$5,715,562, and the bank balance was \$5,802,294. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the operations of the Marion/Walthall Correctional Facility.

Investments balances at September 30, 2015, are as follows:

| <u>Investment Type</u> | <u>Maturities</u> | <u>Fair Value</u> | <u>Rating</u> |
|-------------------------------------|-------------------|-------------------|---------------|
| Hancock Horizon Treasury Securities | Less than one | \$ 1,290,957 | |
| Money Market Mutual Fund | Year | | AAAm |

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, \$1,290,957 of underlying securities were uninsured, unregistered, and held in trust accounts by the investment's counterparty on behalf of the County, not in the name of the County.

Concentration of Credit Risk. The County places no limit on the amount the County may invest in any one issuer. All of the County's investments are in the Hancock Horizon Treasury Securities Money Market Mutual Fund and are reported in the Marion/Walthall Correctional Facility Fund.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--|--|-------------------|
| General Fund | Marion/Walthall Correctional Facility Fund | \$ 317,148 |
| General Fund | Marion County Women's Facility Fund | 182,772 |
| General Fund | Garbage and Solid Waste Fund | 6,967 |
| Other Governmental Funds | General Fund | 130,897 |
| Other Governmental Funds | Other Governmental Funds | 8,533 |
| Marion/Walthall Correctional Facility Fund | General Fund | 15,695 |
| Garbage and Solid Waste Fund | General Fund | 4,951 |
| Agency Funds | General Fund | <u>32,578</u> |
| Total | | <u>\$ 699,541</u> |

The General Fund receivable from the Garbage and Solid Waste, Marion/Walthall Correctional Facility and Marion County Women's Facility represent the indirect cost incurred during the year and loans to cover September 30 negative cash balances in Marion/Walthall Correctional Facility and Marion County Women's Facility. The loan between the Other Governmental Funds represents correction of a debt service error. Funds receivables from the General Fund represent the tax revenue collected in September 30, 2015, but not settled until October 2015. All inter-fund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|---|-------------------------------------|-------------------|
| General Fund | Other Governmental Funds | \$ 381 |
| Other Governmental Funds | General Fund | 297,948 |
| Marion /Walthall Correctional Facility Fund | Marion County Women's Facility Fund | 55,115 |
| Marion County Women's Facility Fund | General Fund | <u>38,193</u> |
| Total | | <u>\$ 391,637</u> |

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2015, consisted of the following:

| <u>Description</u> | <u>Amount</u> |
|--|-------------------|
| Governmental Activities: | |
| Legislative tax credit | \$ 132,324 |
| DUI Grant | 28,375 |
| Emergency management performance grants | 27,982 |
| Community development block grants/state's program | <u>6,000</u> |
| Total Governmental Activities | <u>\$ 194,681</u> |

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

| Description | Amount |
|---|-------------------|
| Business-type Activities: | |
| MDOC prisoner housing reimbursement | \$ 59,640 |
| MDOC medical reimbursement | 15,514 |
| Local Counties housing and medical reimbursements | <u>62,640</u> |
| Total Business-type Activities | <u>\$ 137,794</u> |

(6) Restricted Assets.

The balances of the restricted asset accounts in the enterprise funds are as follows:

| | |
|---|---------------------|
| Reserve fund | \$ 10,790 |
| General fund | 295,360 |
| Debt service reserve fund | 356,319 |
| Excess revenue fund | 153,507 |
| Depreciation and operating reserve fund | <u>474,981</u> |
| Total restricted assets | <u>\$ 1,290,957</u> |

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental activities:

| | Balance Oct. 1, 2014 | Additions | Deletions | Adjustments* | Balance Sept. 30, 2015 |
|--|-------------------------|------------------|---------------|-----------------|---------------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 663,344 | - | - | - | 663,344 |
| Total non-depreciable capital assets | <u>663,344</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>663,344</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Infrastructure | 64,872,084 | | | | 64,872,084 |
| Buildings | 9,027,785 | | | | 9,027,785 |
| Improvements other than buildings | 811,516 | | | | 811,516 |
| Mobile equipment | 4,190,458 | 76,906 | 54,199 | 62,215 | 4,275,380 |
| Furniture and equipment | 2,764,814 | 65,195 | | (609) | 2,829,400 |
| Leased property under capital leases | <u>559,151</u> | <u>197,675</u> | | <u>(79,027)</u> | <u>677,799</u> |
| Total depreciable capital assets | <u>82,225,808</u> | <u>339,776</u> | <u>54,199</u> | <u>(17,421)</u> | <u>82,493,964</u> |
| <u>Less accumulated depreciated for:</u> | | | | | |
| Infrastructure | 43,118,013 | 177,610 | | | 43,295,623 |
| Buildings | 3,576,969 | 154,243 | | | 3,731,212 |
| Improvements other than buildings | 277,661 | 30,217 | | | 307,878 |
| Mobile equipment | 3,215,394 | 149,131 | 47,339 | 28,132 | 3,345,318 |
| Furniture and equipment | 2,481,871 | 80,803 | | | 2,562,674 |
| Leased property under capital leases | <u>175,372</u> | <u>61,012</u> | | <u>(21,339)</u> | <u>215,045</u> |
| Total accumulated depreciation | <u>52,845,280</u> | <u>653,016</u> | <u>47,339</u> | <u>6,793</u> | <u>53,457,750</u> |
| Total depreciable capital assets, net | <u>29,380,528</u> | <u>(313,240)</u> | <u>6,860</u> | <u>(24,214)</u> | <u>29,036,214</u> |
| Governmental activities capital assets, net \$ | <u>30,043,872</u> | <u>(313,240)</u> | <u>6,860</u> | <u>(24,214)</u> | <u>29,699,558</u> |

*The Adjustments were made to correctly record the reclassification of mobile equipment to furniture and the reclassification of capital leases that were paid off.

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

Business-type activities:

| | Balance Oct. 1, 2014 | Additions | Deletions | Adjustments * | Balance Sept. 30, 2015 |
|--|-------------------------|-----------|-----------|---------------|---------------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 60,000 | - | - | - | 60,000 |
| Total non-depreciable capital assets | 60,000 | - | - | - | 60,000 |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings | 9,130,650 | | | | 9,130,650 |
| Mobile equipment | 341,610 | | 109,059 | 16,812 | 249,363 |
| Furniture and equipment | 157,163 | 10,165 | | | 167,328 |
| Total depreciable capital assets | 9,629,423 | 10,165 | 109,059 | 16,812 | 9,547,341 |
| <u>Less accumulated depreciated for:</u> | | | | | |
| Buildings | 2,100,935 | 182,616 | | | 2,283,551 |
| Mobile equipment | 293,732 | 5,346 | 98,153 | 15,131 | 216,056 |
| Furniture and equipment | 146,948 | 8,231 | | | 155,179 |
| Total accumulated depreciation | 2,541,615 | 196,193 | 98,153 | 15,131 | 2,654,786 |
| Total depreciable capital assets, net | 7,087,808 | (186,028) | 10,906 | 1,681 | 6,892,555 |
| Business-type activities capital assets, net | \$ 7,147,808 | (186,028) | 10,906 | 1,681 | 6,952,555 |

*The adjustments were made to correctly record the mobile equipment in the business-type activities.

Depreciation expense was charged to the following functions:

| | Amount |
|---|------------|
| Governmental activities: | |
| General government | \$ 88,284 |
| Public safety | 108,684 |
| Public works | 331,544 |
| Health and welfare | 79,452 |
| Culture and recreation | 2,383 |
| Economic development and assistance | 42,669 |
| Total governmental activities depreciation expense | \$ 653,016 |
| | Amount |
| Business-type activities: | |
| Marion/Walthall Correctional Facility | \$ 155,771 |
| Women's Correctional Facility | 30,849 |
| Solid Waste | 9,573 |
| Total business-type activities depreciation expense | \$ 196,193 |

(8) Claims and Judgments.

Risk Financing.

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessor:

On September 1, 2014, Marion County entered into a non-cancellable operating lease agreement with Marion County Internal Medicine Clinic for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lease would pay the County \$ 2,068.81 per month in lease payments commencing September 1, 2014 for a term of five years. At the end of the lease term, the lease has the right to renew for an additional five years by giving written notice of exercise of the option.

On February 1, 2015, Marion County entered into a non-cancellable operating lease agreement with Columbia Parachute Company for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lease would pay the County \$1,800 per month in lease payments commencing February 1, 2015 for a term of seven years. At the end of the lease term, the lease has the right to renew for an additional five years.

On March 1, 2015, Marion County entered into a non-cancellable operating lease agreement with The Training School for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lease would pay the County \$ 700 per month in lease payments commencing March 1, 2015 for a term of one year. At the end of the lease term, the lease has the right to renew for an additional one year.

On March 3, 2015, Marion County entered into a non-cancellable operating lease agreement with Tru Point Tactical for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lease would pay the County \$ 300 per month in lease payments commencing May 1, 2015 until October 2015 and \$411.50 per month in lease payments commencing November 2015 until April 2016 for a term of one year. At the end of the lease term, the lease has the right to renew for an additional one year.

On March 16, 2015, Marion County entered into a non-cancellable operating lease agreement with Martha's Place for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lease would pay the County \$ 325 per month in lease payments commencing May 1, 2015 for a term of five years. At the end of the lease term, the lease has the right to renew for an additional five years.

On August 1, 2015, Marion County entered into a non-cancellable operating lease agreement with Quality Alarm Services for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lease would pay the County \$ 300 per month in lease payments commencing September 1, 2015 for a term of one year. At the end of the lease term, the lease has the right to renew for an additional one year.

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$47,551 for the year ended September 30, 2015. The future minimum lease receivables for these leases are as follows:

| <u>Year Ending September 30</u> | | <u>Amount</u> |
|---------------------------------|----|-----------------------|
| 2016 | \$ | 59,895 |
| 2017 | | 50,326 |
| 2018 | | 50,326 |
| 2019 | | 48,256 |
| 2020 | | 23,875 |
| 2021 - 2025 | | <u>28,800</u> |
| Total Minimum Payments Required | \$ | <u><u>261,478</u></u> |

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

As Lessee:

(10) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

| Classes of Property | Governmental Activities |
|--------------------------------------|-------------------------|
| Mobile equipment | \$ 677,799 |
| Less: Accumulated depreciation | (215,045) |
| Leased Property Under Capital Leases | \$ 462,754 |

The following is a schedule by years of the total payments due as of September 30, 2015:

| Year Ending September 30 | Governmental Activities | |
|--------------------------|-------------------------|----------|
| | Principal | Interest |
| 2016 | \$ 163,085 | 5,819 |
| 2017 | 110,651 | 2,628 |
| 2018 | 49,319 | 941 |
| 2019 | 15,976 | 353 |
| Total | \$ 339,031 | 9,741 |

(11) Defined Benefit Pension Plan.

General Information about the Pension Plan

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

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2015, 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, 2015 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 years ending September 30, 2015, 2014 and 2013 were \$832,882, \$787,646, and \$747,775, 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, 2015, the County reported a liability of \$12,977,478 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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. At June 30, 2015, the County's proportion was .083953 percent, which was an increase of .001301 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$1,586,288. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 199,717 | - |
| Net difference between projected and actual earnings on pension plan investments | 759,321 | - |
| Changes of assumptions | 1,117,966 | - |
| Changes in the proportion and differences between the County's contributions and proportionate share of contributions | 107,708 | - |
| County contributions subsequent to the measurement date | 193,409 | - |
| Total | \$ 2,378,121 | - |

\$193,409 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, 2016. 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: | |
| 2016 | \$ 713,871 |
| 2017 | 713,871 |
| 2018 | 567,140 |
| 2019 | 189,830 |
| Total | 2,184,712 |

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

following actuarial assumptions, applied to all periods in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.00 percent |
| Salary increases | 3.75 – 19.00 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 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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, 2015, are summarized in the following table:

| Asset Class | Target | Long-Term Expected |
|-------------------------|----------|--------------------|
| U.S. Broad | 34.00 % | 5.20 % |
| International Equity | 19.00 | 5.00 |
| Emerging Markets Equity | 8.00 | 5.45 |
| Fixed Income | 20.00 | 0.25 |
| Real Assets | 10.00 | 4.00 |
| Private Equity | 8.00 | 6.15 |
| Cash | 1.00 | (0.50) |
| Total | 100.00 % | |

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of .25 percentage points since the prior measurement date. 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%) | Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|---------------------------|-----------------------------|---------------------------|
| County's proportionate share of the net pension liability | \$ 17,105,505 | 12,977,478 | 9,551,988 |

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

in the separately issued PERS financial report.

(12) Long-term Debt.

Debt outstanding as of September 30, 2015, consisted of the following:

| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|-------------------------------------|-----------------------|---------------|---------------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| Industrial development bonds | \$ 1,350,000 | 5.10-5.40% | 09/2024 |
| Hospital refinancing bonds | <u>2,330,000</u> | 3.22% | 11/2021 |
| Total General Obligation Bonds | <u>\$ 3,680,000</u> | | |
| B. Equipment Notes: | | | |
| District 1 Road Equipment Note | \$ 12,732 | 2.70% | 12/2015 |
| District 4 Road Equipment Note | <u>12,333</u> | 2.79% | 12/2015 |
| Total Equipment Notes | <u>\$ 25,065</u> | | |
| C. Capital Leases: | | | |
| District 4 2011 International Truck | \$ 5,835 | 3.05% | 02/2016 |
| District 4 Volvo Motor Grader | 47,507 | 3.04% | 03/2017 |
| District 1 Daewoo Wheel Loader | 20,701 | 2.64% | 12/2015 |
| District 2 Hydraulic Excavator | 61,861 | 2.21% | 02/2019 |
| (2) Sheriff Vehicles | 37,665 | 2.14% | 12/2016 |
| District 3 John Deere Tractor | 40,335 | 1.79% | 03/2018 |
| District 4 John Deere Tractor | 40,181 | 1.79% | 03/2018 |
| (2) Sheriff Vehicles | <u>84,946</u> | 1.80% | 03/2018 |
| Total Capital Leases | <u>\$ 339,031</u> | | |
| D. Other Loans: | | | |
| Railroad Authority | \$ 53,274 | 3.24% | 03/2018 |
| District 3 Equipment Barn | 28,915 | 3.20% | 03/2018 |
| Marion County Business Plex | 60,000 | 3.10% | 05/2019 |
| MDA Capital Improvement | 681,524 | 3.00% | 07/2034 |
| Road Construction | 400,000 | 2.20% | 05/2019 |
| MDA Capital Improvement | <u>346,010</u> | 3.00% | 06/2030 |
| Total Other Loans | <u>\$ 1,569,723</u> | | |

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|---|-----------------------|---------------|------------------------|
| Business-type Activities: | | | |
| A. General Obligation Bonds: | | | |
| General Obligation Bonds, Series 2009 | \$ 2,450,000 | 4.00-4.70% | 04/2029 |
| Marion/Walthall Correctional Facility, Series 2012 Refunding Bonds | 1,255,000 | 1.50-2.65% | 03/2023 |
| Total General Obligation Bonds | <u>\$ 3,705,000</u> | | |
| B. Limited Obligation Bonds: | | | |
| Urban renewal revenues refunding bonds - Marion/Walthall Correctional Facility | \$ 1,340,000 | 2.50-4.00% | 02/2018 |
| Total Limited Obligation Bonds | <u>\$ 1,340,000</u> | | |
| C. Other Loans: | | | |
| Transfer Station | <u>\$ 104,548</u> | 3.24% | 02/2018 |

Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$3,555,000 in limited obligation urban renewal revenue bonds issued in 2009. Proceeds from the bonds refunded \$3,585,000 of limited obligation urban renewal revenue bonds issued in 1998, which provided financing for the construction of the Marion/Walthall Correctional Facility. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through 2018. Annual principal and interest payments on the bonds are expected to require less than 11 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,421,047. Principal and interest paid for the current year and total inmate housing net revenues were \$474,358 and \$4,180,825, respectively.

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

Governmental Activities:

| Year Ending September 30 | General Obligation Bonds | |
|--------------------------|--------------------------|----------------|
| | Principal | Interest |
| 2016 | \$ 410,000 | 141,512 |
| 2017 | 430,000 | 125,986 |
| 2018 | 455,000 | 109,549 |
| 2019 | 470,000 | 92,064 |
| 2020 | 490,000 | 73,847 |
| 2021 - 2025 | <u>1,425,000</u> | <u>119,813</u> |
| Total | <u>\$ 3,680,000</u> | <u>662,771</u> |

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

| Year Ending September 30 | Equipment Notes | | Other Loans | |
|--------------------------|-----------------|----------|-------------|----------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 25,065 | 696 | 185,642 | 41,880 |
| 2017 | - | - | 190,179 | 38,644 |
| 2018 | - | - | 192,408 | 33,634 |
| 2019 | - | - | 165,700 | 28,554 |
| 2020 | - | - | 52,242 | 24,347 |
| 2021 - 2025 | - | - | 286,034 | 96,910 |
| 2026 - 2030 | - | - | 325,640 | 47,701 |
| 2031 - 2035 | - | - | 171,878 | 10,300 |
| Total | \$ 25,065 | 696 | 1,569,723 | 321,970 |

Business-type Activities:

| Year Ending September 30 | General Obligation Bonds | | Limited Obligation Bonds | |
|--------------------------|--------------------------|-----------|--------------------------|----------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 275,000 | 132,307 | 430,000 | 44,247 |
| 2017 | 285,000 | 124,505 | 445,000 | 27,500 |
| 2018 | 290,000 | 116,338 | 465,000 | 9,300 |
| 2019 | 305,000 | 107,467 | - | - |
| 2020 | 310,000 | 97,845 | - | - |
| 2021 - 2025 | 1,380,000 | 337,473 | - | - |
| 2026 - 2030 | 860,000 | 102,780 | - | - |
| Total | \$ 3,705,000 | 1,018,715 | 1,340,000 | 81,047 |

| Year Ending September 30 | Other Loans | |
|--------------------------|-------------|----------|
| | Principal | Interest |
| 2016 | \$ 33,731 | 3,434 |
| 2017 | 34,833 | 2,333 |
| 2018 | 35,984 | 1,185 |
| Total | \$ 104,548 | 6,952 |

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2015, the amount of outstanding debt was equal to 3.98% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain business-type limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2015, \$1,536,306 of bonds outstanding were considered defeased.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

| | Balance Oct. 1, 2014 | Additions | Reductions | Adjustments | Balance Sept. 30, 2015 | Amount due within one year |
|----------------------------------|-------------------------|-----------|------------|-------------|---------------------------|----------------------------------|
| Governmental Activities: | | | | | | |
| General obligation bonds | \$ 4,075,000 | | 395,000 | | 3,680,000 | 410,000 |
| Equipment notes | 96,647 | | 71,582 | | 25,065 | 25,065 |
| Capital leases | 290,457 | 197,675 | 149,101 | | 339,031 | 163,085 |
| Other loans | 892,839 | 850,000 | 173,116 | - | 1,569,723 | 185,642 |
| Total | \$ 5,354,943 | 1,047,675 | 788,799 | - | 5,613,819 | 783,792 |
| Business-type Activities: | | | | | | |
| General obligation bonds | \$ 3,975,000 | | 270,000 | | 3,705,000 | 275,000 |
| Limited obligation bonds | 1,755,000 | | 415,000 | | 1,340,000 | 430,000 |
| Premiums | 35,014 | | 2,903 | | 32,111 | 2,903 |
| Other loans | 137,210 | - | 32,662 | | 104,548 | 33,731 |
| Total | \$ 5,902,224 | - | 720,565 | - | 5,181,659 | 741,634 |

(13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2015:

| Fund | Deficit Amount |
|--|----------------|
| Marion/Walthall Correctional Facility Fund | \$ (527,490) |
| Marion County Women's Facility Fund | (235,892) |

(14) 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.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(15) Related Organizations.

The Marion County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Columbia-Marion County Airport Authority, but the County's accountability for this organization does not extend beyond making the appointment. The County appropriated \$20,000 for the airport's support in fiscal year 2015.

The Marion County Board of Supervisors, as authorized by Sections 19-5-151 and 19-5-223, Miss. Code Ann. (1972), created the following districts to provide fire protection services to the County: Tri-Community Fire District, Southwest Marion Fire District, South Marion Fire District, Pineburr Fire District, Foxworth Fire District and Morgantown Fire District. The Board of Supervisors appoints the commissioners of each district, but the County's accountability for the districts does not extend beyond making the appointments. Each of these districts receives the avails of a one mill tax levy on the real property in the district with the Foxworth Fire District receiving the avails of a two mill tax levy. Marion County appropriated \$48,258 for the operations of the six fire districts in fiscal year 2015.

(16) Joint Venture.

The County participates in the following joint venture:

Marion County is a participant with Jefferson Davis County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the South Mississippi Regional Library. The joint venture was created to provide library service for the Counties of Jefferson Davis and Marion, and is governed by a five-member board. The two counties rotate board appointments so that each County has a majority of board members in alternate years. Complete financial statements for the South Mississippi Regional Library can be obtained from the Marion County branch located at 900 Broad Street, Columbia, Mississippi.

(17) Jointly Governed Organizations.

The County participates in the following jointly governed organizations.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Marion County Board of Supervisors appoints two (2) of the sixteen (16) members of the college board of trustees. The County appropriated \$378,213 for maintenance and support of the college in fiscal year 2015.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Marion County Board of Supervisors appoints one (1) of the nine (9) members of the board of directors. The County appropriated \$67,160 for support of the district in fiscal year 2015.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Marion County Board of Supervisors appoints one (1) of the twenty-seven (27) members of the board of directors. The County provided no financial support of the district in fiscal year 2015.

Pearl River Valley Opportunity, Inc. operates in a district composed on the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Marion County Board of Supervisors appoints one (1) of the twenty-four (24) members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each County provides a modest amount of financial support when matching funds are required for federal grants.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Marion County Board of Supervisors appoints one (1) of the nine (9) members of the board of commissioners. The County appropriated \$46,500 for support of the entity in fiscal year 2015.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Perry River, Perry, Stone and Wayne. The governing body is a 15 member board of commissioners, one (1) appointed by the Board of Supervisors of each of the member counties and one (1) appointed at large. The counties generally provide no financial support to the organization.

(18) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Marion County evaluated the activity of the County through May 31, 2017, (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.

Subsequent to September 30, 2015, the County issued the following debt obligations:

| Issue | Date | Interest Rate | Issue | Amount | Type of | Financing | Source of Financing |
|------------|------|------------------|-------|-----------|-------------------------|-----------|---------------------|
| 11/02/2015 | | 1.89% | \$ | 144,589 | Capital Lease | | Ad valorem taxes |
| 12/04/2015 | | 1.98% | | 51,310 | Capital Lease | | Ad valorem taxes |
| 01/01/2016 | | 3.25% | | 51,000 | Capital Lease | | Ad valorem taxes |
| 02/10/2016 | | 1.77% | | 80,242 | Capital Lease | | Ad valorem taxes |
| 03/03/2016 | | 1.96% | | 46,510 | Capital Lease | | Ad valorem taxes |
| 03/07/2016 | | 2.85% | | 41,000 | Road Equipment Lease | | Ad valorem taxes |
| 03/08/2016 | | 2.95% | | 49,500 | Road Equipment Lease | | Ad valorem taxes |
| 04/21/2016 | | 2.90% | | 61,500 | Road Equipment Lease | | Ad valorem taxes |
| | | | | | General Obligation Bond | | |
| 05/13/2016 | | 1.15% - 2.50% | | 2,150,000 | Refunding Bonds | | Ad valorem taxes |
| 06/10/2016 | | 2.09% | | 57,188 | Capital Lease | | Ad valorem taxes |
| 10/05/2016 | | 1.61% | | 473,890 | Loan | | Ad valorem taxes |
| 02/21/2017 | | 2.44% | | 16,990 | Capital Lease | | Ad valorem taxes |
| 03/06/2017 | | 2.30% | | 51,538 | Capital Lease | | Ad valorem taxes |
| 04/04/2017 | | 2.74% | | 38,500 | Capital Lease | | Ad valorem taxes |
| 05/02/2017 | | 2.31% | | 124,678 | Capital Lease | | Ad valorem taxes |

MARION COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MARION COUNTY

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MARION COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2015
 UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 6,680,153 | 6,890,503 | 6,890,503 | |
| Licenses, commissions and other revenue | 342,194 | 304,990 | 304,990 | |
| Fines and forfeitures | 267,450 | 286,166 | 286,166 | |
| Intergovernmental revenues | 758,980 | 1,582,747 | 1,582,747 | |
| Interest income | 3,233 | 7,776 | 7,776 | |
| Miscellaneous revenues | 198,554 | 522,080 | 522,080 | |
| Total Revenues | <u>8,250,564</u> | <u>9,594,262</u> | <u>9,594,262</u> | <u>0</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 4,439,768 | 4,288,120 | 4,288,120 | |
| Public safety | 2,819,190 | 2,841,877 | 2,841,877 | |
| Public works | 20,000 | 20,000 | 20,000 | |
| Health and welfare | 397,437 | 331,823 | 331,823 | |
| Culture and recreation | 142,690 | 126,173 | 126,173 | |
| Conservation of natural resources | 393,196 | 69,587 | 69,587 | |
| Economic development and assistance | 150,794 | 319,101 | 319,101 | |
| Debt service: | | | | |
| Principal | | 16,652 | 16,652 | |
| Interest | 10,000 | 51,623 | 51,623 | |
| Total Expenditures | <u>8,373,075</u> | <u>8,064,956</u> | <u>8,064,956</u> | <u>0</u> |
| Excess of Revenues over (under) Expenditures | <u>(122,511)</u> | <u>1,529,306</u> | <u>1,529,306</u> | <u>0</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Compensation for loss of capital assets | | 18,458 | 18,458 | |
| Transfers out | (315,514) | (121,000) | (121,000) | |
| Other financing sources | | 58,270 | 58,270 | |
| Other financing uses | | (1,859,479) | (1,859,479) | |
| Total Other Financing Sources and Uses | <u>(315,514)</u> | <u>(1,903,751)</u> | <u>(1,903,751)</u> | <u>0</u> |
| Net Change in Fund Balance | (438,025) | (374,445) | (374,445) | 0 |
| Fund Balances - Beginning | <u>460,984</u> | <u>910,658</u> | <u>910,658</u> | <u>0</u> |
| Fund Balances - Ending | <u>\$ 22,959</u> | <u>536,213</u> | <u>536,213</u> | <u>0</u> |

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

MARION COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2015

| | <u>2015</u> |
|--|---------------|
| County's proportion of the net pension liability (asset) | 0.083953% |
| | \$ 12,977,478 |
| County's proportionate share of the net pension liability (asset) | \$ 5,287,426 |
| County's covered-employee payroll | |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 245.44% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.70% |

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

MARION COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2015

| | <u>2015</u> |
|--|----------------|
| Contractually required contribution | \$ 832,882 |
| Contributions in relation to the contractually required contribution | <u>832,771</u> |
| Contribution deficiency (excess) | \$ <u>111</u> |
| County's covered-employee payroll | \$ 5,287,426 |
| Contributions as a percentage of covered-employee payroll | 15.75% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

MARION COUNTY

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MARION COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2015

UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

| | <u>Governmental Fund Types</u> |
|--|--------------------------------|
| | <u>General</u> |
| | <u>Fund</u> |
| Budget (Cash Basis) | \$ (374,445) |
| Increase (Decrease) | |
| Net adjustments for revenue accruals | 42,652 |
| Net adjustments for expenditure accruals | 480,899 |
| GAAP Basis | \$ <u>149,106</u> |

MARION COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2015

UNAUDITED

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2015:

| <u>Fund</u> | <u>Excess</u> |
|---|---------------|
| Special Revenue Funds: | |
| Marion County Narcotics Task Force - General Resitution Account | \$ 46,376 |
| Marion County Narcotics Task Force - Seizure Holding Account | 7,891 |
| MWCF - Inmate Welfare Fund | 25,948 |
| MWCF - Cash Account & Officer Account | 2,741 |

All the funds listed above, are in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the County has no liability associated with these violations.

E. Unbudgeted Funds.

The following funds were not budgeted for the year ended September 30, 2015:

Special Revenue Funds:
Marion County Narcotics Task Force - General Restitution Account
Marion County Narcotics Task Force - Seizure Holding Account
MWCF - Inmate Welfare Fund
MWCF - Cash Account & Officer Account

The unbudgeted funds are in violation of state law. However, the County has no liability associated with the violation.

Pension Schedules

A. Changes of assumptions

In 2015 and later, 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. In 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. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

MARION COUNTY

SUPPLEMENTARY INFORMATION

MARION COUNTY

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MARION COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

| Federal Grantor/ Pass-through Grantor/ Program Title or Cluster | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|--|-------------------------|
| U.S. Department of Housing and Urban Development/ Mississippi Development Authority Community development block grants/state's programs and non-entitlement grants in Hawaii* | 14.228 | 1125-08-046-PF-02 | \$ <u>576,000</u> |
| U.S. Department of Justice Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program | 16.738 | 13NM1461 | <u>15,807</u> |
| U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction | 20.205 | BR NBIS 081 B(46) | 30,470 |
| U.S. Department of Transportation - National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety Alcohol open container requirements | 20.607 | 15-ST-146-1 | 77,257 |
| National priority safety programs | 20.616 | 15-MD-146-1 | <u>29,212</u> |
| Total U.S. Department of Transportation | | | <u>136,939</u> |
| U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance* | 97.036 | FEMA-4205-DR-MS | 958,515 |
| Emergency management performance grants | 97.042 | N/A | <u>29,556</u> |
| Total U.S. Department of Homeland Security | | | <u>988,071</u> |
| Total Expenditures of Federal Awards | | | <u><u>1,716,817</u></u> |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

* Denotes major federal award program

MARION COUNTY

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MARION COUNTY

OTHER INFORMATION

MARION COUNTY

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MARION COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2015
UNAUDITED

| Name | Position | Company | Bond |
|-----------------------|----------------------------|---------------------------------|-----------|
| Charles Randall Dyess | Supervisor District 1 | Brierfield Insurance Co. | \$100,000 |
| Terry Broome | Supervisor District 2 | Brierfield Insurance Co. | \$100,000 |
| Tony Morgan | Supervisor District 3 | Brierfield Insurance Co. | \$100,000 |
| Raymon Rowell | Supervisor District 4 | Brierfield Insurance Co. | \$100,000 |
| Calvin Newsom | Supervisor District 5 | Brierfield Insurance Co. | \$100,000 |
| Cass Barnes | Chancery Clerk | Brierfield Insurance Co. | \$100,000 |
| Cheryl Buckley | Purchase Clerk | Brierfield Insurance Co. | \$75,000 |
| Jan Ardis | Assistant Purchase Clerk | Brierfield Insurance Co. | \$50,000 |
| Linda Roberts | Assistant Purchase Clerk | Brierfield Insurance Co. | \$50,000 |
| Sharon Virgil Johnson | Receiving Clerk | Travelers Casualty & Surety Co. | \$75,000 |
| Henry Douglas Holmes | Assistant Receiving Clerk | Brierfield Insurance Co. | \$50,000 |
| Willie Sims | Assistant Receiving Clerk | Brierfield Insurance Co. | \$50,000 |
| Dennie Wayne Fairburn | Assistant Receiving Clerk | Brierfield Insurance Co. | \$50,000 |
| Debbie Ashley | Assistant Receiving Clerk | Brierfield Insurance Co. | \$50,000 |
| Michael G. Price | Assistant Receiving Clerk | Brierfield Insurance Co. | \$50,000 |
| Lonnie Hayes | Assistant Receiving Clerk | Brierfield Insurance Co. | \$50,000 |
| Susan Bridges | Inventory Control Clerk | Brierfield Insurance Co. | \$75,000 |
| Eugene Ryals | Constable | Brierfield Insurance Co. | \$50,000 |
| Paul Barber | Constable | Brierfield Insurance Co. | \$50,000 |
| Janette Nolan | Circuit Clerk | Brierfield Insurance Co. | \$100,000 |
| John Berkley Hall | Sheriff | Brierfield Insurance Co. | \$100,000 |
| Gwendolyn Broom | Justice Court Judge | Brierfield Insurance Co. | \$50,000 |
| Sharon Whitfield | Justice Court Judge | Brierfield Insurance Co. | \$50,000 |
| Wynnette Parkman | Justice Court Clerk | Travelers Casualty & Surety Co. | \$50,000 |
| Kelli McNabb | Deputy Justice Court Clerk | Brierfield Insurance Co. | \$50,000 |
| Renee Brown | Deputy Justice Court Clerk | Travelers | \$50,000 |
| Martha Schexnider | Deputy Justice Court Clerk | Brierfield Insurance Co. | \$50,000 |
| Sherry McGowan | Tax Assessor-Collector | Brierfield Insurance Co. | \$100,000 |
| Joey Alford | Deputy Tax Collector | Brierfield Insurance Co. | \$50,000 |
| Tawanda Ball | Deputy Tax Collector | Brierfield Insurance Co. | \$50,000 |
| Dana Ellzey | Deputy Tax Collector | Brierfield Insurance Co. | \$50,000 |
| Brenda Miller | Deputy Tax Collector | Brierfield Insurance Co. | \$50,000 |
| Luona Pittman | Deputy Tax Collector | Brierfield Insurance Co. | \$50,000 |
| Charlett Smith | Deputy Tax Collector | Brierfield Insurance Co. | \$50,000 |
| Teresa Terrell | Deputy Tax Collector | Travelers | \$50,000 |

MARION COUNTY

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MARION COUNTY

SPECIAL REPORTS

MARION COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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

Members of the Board of Supervisors
Marion County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Marion County, Mississippi (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 31, 2017. 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 Marion 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 Marion County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2015-001, 2015-002, 2015-005 and 2015-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2015-003 and 2015-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2015-005.

We also noted certain matters which we have reported to the management of Marion County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated May 31, 2017, included within this document.

Marion County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 31, 2017



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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

Members of the Board of Supervisors
Marion County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Marion 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 Marion County, Mississippi's major federal programs for the year ended September 30, 2015. Marion County, Mississippi's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Marion 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 programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of Marion 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 Marion 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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



JOE E. MCKNIGHT CPA
Director, County Audit Section

May 31, 2017



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

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

Members of the Board of Supervisors
Marion County, Mississippi

We have examined Marion County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Marion County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Purchase Clerk, Board of Supervisors, and Marion/Walthall Correctional Facility.

1. Purchasing documents were not complete.

Finding

Section 31-7-103, Miss. Code Ann. (1972), requires a purchase requisition, purchase order, and receiving report for all purchases of more than One Thousand Dollars (\$1,000.00) in the aggregate. As reported in the prior two years' audit reports we noted during our audit test work that some purchases did not comply with state purchase requisition, purchase order, and receiving report requirements. Failure to complete purchasing documents may result in the loss or misappropriation of public funds.

Recommendation

The Purchase Clerk should ensure that a purchase requisition, purchase order, and receiving report are properly filled out and submitted for all purchases of more than One Thousand Dollars (\$ 1,000.00) in the aggregate.

Purchase Clerk, Board of Supervisors, and Marion/Walthall Correctional Facility's Response

We will comply.

2. Two competitive written bids should be obtained when required.

Finding

Section 31-7-13(b), Miss. Code Ann. (1972), states that purchases which involve an expenditure of more than \$5,000, but not more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two written competitive bids have been obtained. As reported in the prior year's audit report we noted in our audit test work that competitive written bids were not obtained for some purchases in the Marion/Walthall Correctional Facility. Also, we noted in our audit test work that there were expenditures for the services of a physician totaling \$80,900 for the fiscal year, at the Marion/Walthall Correctional Facility, which were paid based on a verbal agreement that was not approved by the Board of Supervisors. Failure to obtain competitive written bids could result in excess costs to the County.

Recommendation

The Purchase Clerk should ensure that at least two competitive written bids are obtained prior to purchasing any item or services with a cost between \$5,000 and \$50,000 and sealed bids obtained for items or services over \$50,000, as required by law.

Purchase Clerk, Board of Supervisors, and Marion/Walthall Correctional Facility's Response

We will comply.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Marion County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination and, in our opinion, is fairly presented in relation to that examination.

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

This report is intended for use in evaluating Marion County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 31, 2017

MARION COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2015

| <u>Date</u> | <u>Item Purchased</u> | <u>Bid Accepted</u> | <u>Vendor</u> | <u>Lowest Bid</u> | <u>Reason for Accepting Other Than the Lowest Bid</u> |
|-------------|---------------------------|-------------------------|-----------------------|-----------------------|---|
| 12/30/2014 | Phone System | \$ 15,551 | Metrix Solutions, LLC | \$ 10,475 | Preferred vendor |

MARION COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> | <u>Reason for Emergency Purchase</u> |
|-------------|---------------------------|------------------------|---------------|--|
| 9/15/2015 | Telephone Equipment | \$ 10,665.25 | Pileum Corp | Ligtning Strike |

MARION COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

Our tests did not identify any purchases made noncompetitively from a sole source.

MARION COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Marion County, Mississippi

In planning and performing our audit of the financial statements of Marion County, Mississippi for the year ended September 30, 2015, we considered Marion County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Marion County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 31, 2017, on the financial statements of Marion County, Mississippi.

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

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

Board of Supervisors.

1. The County did not prepare a budget of revenues, expenses, and a working cash balance of all funds.

Finding

Section 19-11-17, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare and submit at its August meeting of each year a complete budget of revenues, expenses, and working cash balances estimated for the next fiscal year for each fund. As reported in the prior year's audit report, the original budget was incomplete. For the fiscal year 2014-2015 the original budget did not include the following funds with combined year end cash balances totaling \$325,961:

- a. Marion County Narcotics Task Force – General Restitution Account Fund
- b. Marion County Narcotics Task Force – Seizure Holding Account Fund
- c. MWCF – Inmate Welfare Fund
- d. MWCF – Cash Account
- e. MWCF – Officer Account

Due to the non-disclosure of bank accounts within other departments in the County, the Board of Supervisors was not aware of the five separate bank accounts. The failure to prepare and submit a complete budget of revenues, expenses, and a working cash balances for all funds resulted in a material misstatement to the financial statements and could result in the misappropriation of public funds if accounts are not properly budgeted and monitored.

Recommendation

The Board of Supervisors should prepare and submit each year a complete budget of revenues, expenses, and a working cash balance for all funds, as required by law.

Board of Supervisors' Response

We will comply.

2. The County should establish and test a disaster recovery process.

Finding

As reported in the prior year's audit report, during our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. Control Objectives for Information and Related Technology (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster. There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create. The County is currently creating back-up files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occurs involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County develop, implement, and test a plan to insure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including County personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved. We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

We will comply.

3. The County should strengthen passwords.

Finding

As reported in the prior year's audit report, we noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for County information assets. Gaining access to data assets can often open doors to highly confidential information such as personally identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations such as data breaches and denial of service attacks can be initiated. Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

Recommendation

We recommended that the County improve its password strength by changing passwords parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters, and special characters), and periodic change of passwords.

Board of Supervisors' Response

We will comply.

4. The County should perform a network security assessment.

Finding

Factors noted during the Information Technology General Control (ITGC) assessment at the County indicate a network assessment is warranted.

Best business practices as well as standards for information technology provide various guidelines for frequency and criteria for performing network reviews. The Mississippi Enterprise Security Policy requires network reviews be performed, at minimum, every three years or more frequently whenever business situations change that might raise the level of risk for unauthorized access to an entity's data assets. Examples of such change criteria would be:

- A major change in the network topology
- Implementation of new financial applications
- Length of time since the last network review
- Recent network penetration or malware infection (and possible data loss) due to the activity of unauthorized parties
- Changes in support levels for hardware and software
- Lack of security event monitoring
- Insufficient anti-virus

Network reviews should include vulnerability scans as well as penetration tests. A vulnerability scan or assessment looks for known vulnerabilities in your systems and reports potential exposures, many times in the form of a risk assessment. A penetration test is designed to actually exploit weaknesses in the architecture of systems.

Hacks into networks, especially internet facing networks, are a common occurrence in today's information technology environment. Data breaches can cost breached entities fines, regulatory oversight, bad public relations, customer distrust and personnel time to correct issues caused by unauthorized access. Consequences can be both short-term (e.g., notification of breached parties) and long-term (e.g., lawsuits).

Recommendation

It is recommended that the County perform a network security assessment as soon as possible. All factors that might increase the risk of unauthorized access to an entity's data assets should be considered when determining the exact scope of the network review to be performed. This review should consist of risk assessments, vulnerability scans and penetration tests. These type tests should be conducted by qualified personnel that specialize in such assessments.

Board of Supervisors' Response

We will comply.

5. A written policy for the use of credit cards should be implemented.

Finding

An effective system of internal control should include a written policy over the use of the credit card used in its Marion/Walthall Correctional Facility. As reported in the prior year's audit report, the County did not have a written credit card policy. Without a written credit card policy, there are no guidelines or procedures to follow regarding the use of the credit card, which could result in improper use of the credit card.

Recommendation

The Board of Supervisors should implement a written policy for the use of the credit card.

Board of Supervisors' Response

We will comply.

Board of Supervisors, Purchase Clerk, Chancery Clerk and Marion/Walthall Correctional Facility.

6. Credit card charges were not properly documented for authorization.

Finding

Section 19-3-68, Miss. Code Ann. (1972), specifies the requirements governing the use of a county credit card for travel. The Chancery Clerk or Purchase Clerk shall maintain complete records of all credit card numbers and all receipts and other documentation relating to the use of such credit cards. The supervisors and county employees shall furnish receipts for the use of such credit cards each month to the Chancery Clerk or Purchase Clerk, who shall submit a written report monthly to the Board of Supervisors. The report shall include an itemized list of all expenditures and use of the credit card for the month, and such expenditures may be allowed for payment by the County in the same manner as other items in the claims docket. Also, according to DFA manual for the state of Mississippi section 10.112.01 and 10.112.04(15), balances shall be paid at the receipt of the monthly statement, and any county employee will be liable for any purchase that is made which is not in compliance with state statute. All purchases were made within the Marion/Walthall Correctional Facility with the Warden's approval. As reported in the prior year's audit report, travel charged to the credit card was not in complete compliance with these sections. There were no written reports itemizing expenditures made on the credit card used in the Marion/Walthall Correctional Facility, nor was there adequate documentation such as receipts for \$1,085.19 in purchases charged on the County's credit card. Failure to enforce these requirements could result in the misuse of the credit card for unauthorized and un-allowed expenditures.

Recommendation

We recommend that in the future the Chancery Clerk and Purchase Clerk ensure the Warden of the Marion/Walthall Correctional Facility submits a monthly report itemizing the expenditures and use of the credit card to the Board of Supervisors, as required by state statute.

Board of Supervisors, Purchase Clerk, Chancery Clerk and Marion/Walthall Correctional Facility's Response

We will comply.

Board of Supervisors and Sheriff.

7. Meal logs are not being maintained daily and presented to the Board of Supervisors monthly.

Finding

Section 19-25-74, Miss. Code Ann. (1972), states the sheriff shall maintain a meal log of prisoners being fed daily, which will include the prisoner's name, date, and time of incarceration and release, and number of meals served to prisoners at each mealtime and house of the day. This log must also be filed monthly with the Board of Supervisors. In addition, the Board is not allowed to pay claims for food expenses if this report has not been filed. During the testing of the Sheriff's Department and Marion/Walthall Correctional Facility, it was noted the sheriff is not maintaining a meal log of prisoners being fed at the jail. Failure to maintain a prisoner meal log and presenting it to the Board of Supervisors for payment monthly could result in the misappropriation of public funds by paying for an incorrect number of meals.

Recommendation

The Sheriff should ensure the meal log is maintained and presented to the Board of Supervisors before meal expenses are approved through the claims docket.

Board of Supervisors and Sheriff's Response

We will comply.

Tax Assessor-Collector

8. Refunds should be made in a timely manner and with board approval.

Finding

Section 27-73-7, Miss. Code Ann. (1972), states the Tax Collector is authorized to refund any tax paid in error or paid in excess of the sum of taxes that are due. This refund should be made from the current settlement if the same source of funds does not exist. In order for the Tax Collector to make a refund, it must be approved and spread over the minutes the collection was made in error. As reported in the prior three years' audit reports, during the walkthrough of the Tax Collector's Office we noted there were unprocessed board approved refunds totaling a liability of \$9,892.57 that dates back to March 2010. Failure to properly refund money to taxpayers increases the liability of the Tax Collector's Office and could result in the loss or misappropriation of public funds.

Recommendation

The Tax Collector should comply with the required law.

Tax Assessor-Collector's Response

We have a new administration in place. We will comply.

Chancery Clerk

9. The Chancery Clerk should only receive payment for Board of Supervisors' meetings attended.

Finding

Section 25-7-9(1)(f), Miss. Code Ann. (1972), allows the Chancery Clerk to receive \$20 per day for himself and one deputy for each day's attendance on the Board of Supervisors. During the testing of the Chancery Clerk's gross payroll, it was noted the Chancery Clerk received payment for 120 meetings from October 2014 through September 2015. The Board of Supervisors only met on 70 different days. Failure to properly account for these statutory fees resulted in the Chancery Clerk being paid \$2,000 in excess of the statutory allowance.

Recommendation

The Chancery Clerk should ensure that he is only receiving payment for the Board of Supervisor meetings for which he attends, as required by law. Also, the Clerk should notify PERS of the overpayment received.

Chancery Clerk's Response

The Chancery Clerk, will sign a form each month showing a breakdown of all tasks he is paid for.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

May 31, 2017

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARION COUNTY

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MARION COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

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

| | |
|--|------------|
| Governmental activities | Unmodified |
| Business-type activities | Unmodified |
| Aggregate discretely presented component units | Adverse |
| General Fund | Unmodified |
| Marion/Walhall Correctional Facility Fund | Unmodified |
| Marion County Women's Facility Fund | Unmodified |
| Garbage and Solid Waste Fund | Unmodified |
| Aggregate remaining fund information | Unmodified |

2. Internal control over financial reporting:

| | |
|---------------------------------------|-----|
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency identified? | Yes |

3. Noncompliance material to the financial statements noted? Yes

Federal Awards:

4. Internal control over major federal programs:

| | |
|---------------------------------------|---------------|
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified? | None Reported |

5. Type of auditor's report issued on compliance for major federal programs: Unmodified

6. Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? No

7. Identification of major federal programs:

- a. CFDA #14.228, Community development block grants/state's program and non-entitlement grants in Hawaii
- b. CFDA #97.036, Disaster grants - public assistance

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000

9. Auditee qualified as low-risk auditee? No

MARION COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2015-001. Discretely presented component units should be included in the financial statements.

Finding

Generally accepted accounting principles require that 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 the County's legally separate component units. As reported in the prior eight years' audit reports, the financial statements do not include the financial data for the County's legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

Recommendation

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

Board of Supervisors' Response

We will comply.

Material Weakness

Material Noncompliance

2015-002. The County did not prepare a budget of revenues, expenses, and a working cash balance of all funds.

Finding

Section 19-11-17, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare and submit at its August meeting of each year a complete budget of revenues, expenses, and working cash balances estimated for the next fiscal year for each fund. As reported in the prior year's audit report, the original budget was incomplete. For the fiscal year 2014-2015 the original budget did not include the following funds with combined year end cash balances totaling \$325,961:

- a. Marion County Narcotics Task Force – General Restitution Account Fund
- b. Marion County Narcotics Task Force – Seizure Holding Account Fund
- c. MWCF – Inmate Welfare Fund
- d. MWCF – Cash Account
- e. MWCF – Officer Account

Due to the non-disclosure of bank accounts within other departments in the County, the Board of Supervisors was not aware of the five separate bank accounts. The failure to prepare and submit a complete budget of revenues, expenses, and a working cash balances for all funds resulted in a material misstatement to the financial statements and could result in the misappropriation of public funds if accounts are not properly budgeted and monitored.

MARION COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

Recommendation

The Board of Supervisors should prepare and submit each year a complete budget of revenues, expenses, and a working cash balance for all funds, as required by law.

Board of Supervisors' Response

We will comply.

Board of Supervisors and Marion/Walthall Correctional Facility.

Significant Deficiency

2015-003. Internal controls in the Marion/Walthall Correctional Facility should be strengthened.

Finding

An effective system of internal control for collecting, recording, and disbursing cash in the Marion/Walthall Correctional Facility should include adequate separation of duties. During the testing and review of the Marion/Walthall Correctional Facility, it was noted the same person performs the following functions:

- a. The same person receipts process and bond fees.
- b. Prepares bank deposits, takes deposits to the bank.
- c. Posts receipts to the cash journal.
- d. Writes and signs checks.
- e. Prepares the bank reconciliation.
- f. Prepares the monthly settlement of fees to the Count.

Failure to implement controls over the collecting, recording, and disbursing of cash, lack of separation of duties in the Marion/Walthall Correctional Facility could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should implement effective internal control policies that allows for proper separation of duties with respect to the collecting, recording, and disbursing of cash.

Board of Supervisors and Marion/Walthall Correctional Facility's Response

We will comply

Significant Deficiency

2015-004. Internal controls over the inmate canteen and inmate welfare funds should be strengthened.

Finding

An effective system of internal controls should include monitoring of the maintenance and reconciliation of records documenting revenue collections. During the testing of Inmate Canteen and Inmate Welfare funds the following deficiencies were noted:

- a. The duties of the tactical officer include receipting inmate canteen monies, preparing deposits for the inmate canteen account, reconciling the cash journal to the bank statements, preparing settlements of commissions received, and disbursing funds. The work of the tactical officer was not reviewed by another person.

MARION COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

- b. All commissions received were not settled by the County in a timely manner.
- c. Expenses in the Inmate Welfare fund did not flow through the County's central purchasing system and were not approved by the Board of Supervisors.
- d. Some cash funds disbursed to inmates were not signed by the inmates or lacked documentation for the disbursements.
- e. A contract employee was paid \$700 per month through the Inmate Welfare fund without being issued a 1099 from the Marion/Walthall Correctional Facility.

The failure to implement adequate controls over the collection, recording, and disbursement functions could result in inaccurate reporting, incomplete settlements, and the increased possibility of the loss or misappropriation of public funds.

Recommendation

The Sheriff should monitor the collecting, recording, and settlement functions and ensure expenses are approved by the Board of Supervisors and flow through the County's central purchasing system. All contract employees should receive a 1099 for services performed.

Board of Supervisors and Marion/Walthall Correctional Facility's Response

We will comply.

Purchase Clerk, Board of Supervisors, and Marion/Walthall Correctional Facility.

Material Weakness

Material Noncompliance

2015-005. Two competitive written bids should be obtained when required.

Finding

Section 31-7-13(b), Miss. Code Ann. (1972), states that purchases which involve an expenditure of more than \$5,000, but not more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two written competitive bids have been obtained. As reported in the prior year's audit report we noted in our audit test work that competitive written bids were not obtained for some purchases in the Marion/Walthall Correctional Facility. Also, we noted in our audit test work that there were expenditures for the services of a physician totaling \$80,900 for the fiscal year, at the Marion/Walthall Correctional Facility, which were paid based on a verbal agreement that was not approved by the Board of Supervisors. Failure to obtain competitive written bids could result in excess costs to the County.

Recommendation

The Purchase Clerk should ensure that at least two competitive written bids are obtained prior to purchasing any item or services with a cost between \$5,000 and \$50,000 and sealed bids obtained for items or services over \$50,000, as required by law.

Purchase Clerk, Board of Supervisors, and Marion/Walthall Correctional Facility's Response

We will comply.

MARION COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Tax Assessor-Collector.

Material Weakness

2015-006. Controls over cash collections and disbursements in the Tax Assessor-Collector's office should be strengthened.

Finding

An effective system of internal control over cash collections and disbursements in the Tax Assessor-Collector's office should include an adequate segregation of duties. As reported in the prior year's audit report, controls over cash are inadequate. The Deputy Tax Collector reconciles daily cash collections and receipts, prepares daily check-up sheets, prepares monthly settlement of fees to the County, takes deposits to the bank, post receipts to the cash journal, prepares the bank reconciliations, and prepares and signs all disbursement checks. Failure to implement controls over the cash collections and disbursements, and lack of segregation of duties in the Tax Assessor-Collector's office could result in the loss or misappropriation of public funds.

Recommendation

The Tax Assessor-Collector should take steps to ensure that there is adequate segregation of duties over the cash collection and disbursement functions.

Board of Supervisors' Response

We have a new administration in place. We will comply.

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.

MARION COUNTY

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MARION COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN AND
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

MARION COUNTY

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MARION COUNTY BOARD OF SUPERVISORS



215 BROAD STREET
COLUMBIA, MISSISSIPPI 39429
(601) 736-7382 Fax (601) 736-1232

District One
Randy Dyess
District Three
Tony Morgan
District Five
Calvin Newsom

Chancery Clerk
Cass Barnes

District Two
Terry Broome
District Four
Raymon Rowell
Attorney
Joseph Shepard

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended September 30, 2015

Office of the State Auditor
501 N. West Street, Suite 801
Jackson, Mississippi 39201

Gentleman:

The Marion County Board of Supervisors respectfully submits the following summary schedule of prior audit findings relative to federal awards.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2014 Finding No. 4: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, CFDA No. 14.228

Condition: As of September 30, 2014, the County did not distribute the grant funds within three days of receipt in the amount of \$15,000.

Recommendation: The Board of Supervisors should implement controls to ensure that the County follows the cash management federal requirement, as required.

Current Status: Corrective action was taken.

Sincerely,

A handwritten signature in blue ink that reads "Tony Morgan". The signature is fluid and cursive.

Tony Morgan
President, Marion County Board of Supervisors