MARSHALL COUNTY, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

MARSHALL COUNTY

CONTENTS

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
Marshall County, Mississippi

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Marshall 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, each major fund, and the aggregate remaining fund information of Marshall County, Mississippi, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary and Other Information

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshall County, Mississippi’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by 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 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 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 June 24, 2016, on our consideration of Marshall County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marshall County, Mississippi's internal control over financial reporting and compliance.

Eupora, Mississippi
June 24, 2016

Watkins Ward and Stafford, PLLC

FINANCIAL STATEMENTS

Exhibit 1

MARSHALL COUNTY
Statement of Net Position
September 30, 2015

		Governmental Activities
ASSETS		
Cash	$	6,347,078
Property tax receivable		10,999,609
Accounts receivable (net of allowance for uncollectibles of $590,886)		8,792
Fines receivable (net of allowance for uncollectibles of $1,533,591)		396,772
Intergovernmental receivables		389,157
Other receivables		71,645
Capital assets:		
Land and construction in progress		5,797,307
Other capital assets, net		60,290,915
Total Assets		84,301,275
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		2,840,066
Total Deferred Outflows of Resources		2,840,066
LIABILITIES		
Claims payable		260,238
Intergovernmental payables		298,029
Accrued interest payable		394,619
Other payables		161,428
Long-term liabilities:		
Net pension liability		16,144,983
Due within one year:		
Capital debt		666,319
Non-capital debt		5,704
Due in more than one year:		
Capital debt		1,225,052
Non-capital debt		5,292,369
Total Liabilities		24,448,741
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		188,749
Property tax for future reporting period		10,999,609
Total Deferred Inflows of Resources		11,188,358
NET POSITION		
Net investment in capital assets		64,196,851
Restricted for:		
Expendable:		
General Government		6,539
Debt service		445,051
Public safety		738,516
Public works		2,449,961
Culture and recreation		1,833
Unrestricted		(16,334,509)
Total Net Position (Deficit)	$	51,504,242

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

Exhibit 2

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 5,111,072	1,103,023	2,115	-	(4,005,934)
Public safety	5,043,966	682,244	331,571	70,000	(3,960,151)
Public works	7,205,577	-	1,081,453	2,931,592	(3,192,532)
Health and welfare	833,418	-	76,860	-	(756,558)
Culture and recreation	316,294	-	-	-	(316,294)
Education	461,998	-	-	-	(461,998)
Conservation of natural resources	100,106	-	-	-	(100,106)
Economic development and assistance	1,143,328	-	780,814	-	(362,514)
Interest on long-term debt	211,667	-	-	-	(211,667)
Pension expense	1,864,776	-	-	-	(1,864,776)
Total Governmental Activities	22,292,202	1,785,267	2,272,813	3,001,592	(15,232,530)

General revenues:	
Property taxes	$ 14,525,415
Road and bridge privilege taxes	477,525
Grants and contributions not restricted to specific programs	1,099,244
Unrestricted interest income	69,919
Miscellaneous	214,211
Total General Revenues	16,386,314
Changes in Net Position	1,153,784
Net Position - Beginning, as previously reported	63,015,985
Prior Period Adjustment	(12,665,527)
Net Position - Beginning	50,350,458
Net Position - Ending	$ 51,504,242

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

Exhibit 3

MARSHALL COUNTY
Balance Sheet – Governmental Funds
September 30, 2015

	Major Funds				
	General Fund	Road Maintenance Fund	Marshall County Engineering Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 2,467,181	2,332,252	-	1,547,645	6,347,078
Property tax receivable	7,148,553	3,284,785	-	566,271	10,999,609
Accounts Receivable (net of allowance for uncollectibles of $590,886)	8,792	-	-	-	8,792
Fines receivable (net of allowance for uncollectibles of $1,533,591)	396,772	-	-	-	396,772
Intergovernmental receivables	233,954	99,050	26,006	30,147	389,157
Other receivables	40,307	360	-	30,978	71,645
Due from other funds	-	99,305	-	14,041	113,346
Total Assets	$ 10,295,559	5,815,752	26,006	2,189,082	18,326,399
LIABILITIES					
Liabilities:					
Claims payable	$ 116,973	81,007	26,006	36,252	260,238
Intergovernmental payables	298,029	-	-	-	298,029
Due to other funds	113,346	-	-	-	113,346
Other payables	161,428	-	-	-	161,428
Total Liabilities	689,776	81,007	26,006	36,252	833,041
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	7,148,553	3,284,785	-	566,271	10,999,609
Unavailable revenue - accounts receivable	8,792	-	-	-	8,792
Unavailable revenue - fines	396,772	-	-	-	396,772
Total Deferred Inflows of Resources	7,554,117	3,284,785	-	566,271	11,405,173
Fund balances:					
Restricted for:					
General government	-	-	-	6,539	6,539
Public safety	-	-	-	738,516	738,516
Public works	-	2,449,960	-	1	2,449,961
Culture and recreation	-	-	-	1,833	1,833
Debt service	-	-	-	839,670	839,670
Unassigned	2,051,666	-	-	-	2,051,666
Total Fund Balances	2,051,666	2,449,960	-	1,586,559	6,088,185
Total Liabilities, Deferred Inflows and Fund Balances	$ 10,295,559	5,815,752	26,006	2,189,082	18,326,399

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

MARSHALL COUNTY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015

		Amount
Total Fund Balance - Governmental Funds	$	6,088,185
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 $81,825,860.		66,088,222
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Fines receivable		396,772
Accounts receivable		8,792
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(7,189,444)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(16,144,983)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		(394,619)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions		2,840,066
Deferred inflows of resources related to pensions		(188,749)
Total Net Position - Governmental Activities	$	51,504,242

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

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

	Major Funds				
	General Fund	Road Maintenance Fund	Marshall County Engineering Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 9,600,999	4,265,991	-	658,425	14,525,415
Road and bridge privilege taxes	-	477,525	-	-	477,525
Licenses, commissions and other revenue	752,675	20,698	-	97,183	870,556
Fines and forfeitures	256,575	-	-	263,663	520,238
Intergovernmental revenues	1,304,529	1,062,394	2,931,592	1,075,134	6,373,649
Charges for services	43,906	-	-	328,521	372,427
Interest income	40,815	18,713	-	10,391	69,919
Miscellaneous revenues	164,197	22,970	-	13,067	200,234
Total Revenues	12,163,696	5,868,291	2,931,592	2,446,384	23,409,963
EXPENDITURES					
Current:					
General government	5,269,710	-	-	17,248	5,286,958
Public safety	4,057,003	-	-	1,760,159	5,817,162
Public works	195,376	6,140,579	2,931,592	-	9,267,547
Health and welfare	844,113	-	-	-	844,113
Culture and recreation	171,584	-	-	144,710	316,294
Education	399,184	62,814	-	-	461,998
Conservation of natural resources	107,556	-	-	-	107,556
Economic development and assistance	314,644	-	-	840,636	1,155,280
Debt service:					
Principal	124,708	221,647	-	317,372	663,727
Interest	30,691	8,081	-	39,124	77,896
Total Expenditures	11,514,569	6,433,121	2,931,592	3,119,249	23,998,531
Excess of Revenues over (under) Expenditures	649,127	(564,830)	-	(672,865)	(588,568)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	139,487	28,657	-	114,280	282,424
Proceeds from sale of capital assets	11,522	5,548	-	-	17,070
Insurance loss recoveries	18,668	-	-	-	18,668
Transfers in	44,000	-	-	527,691	571,691
Transfers out	(527,691)	-	-	(44,000)	(571,691)
Total Other Financing Sources and Uses	(314,014)	34,205	-	597,971	318,162
Net Changes in Fund Balances	335,113	(530,625)	-	(74,894)	(270,406)
Fund Balances - Beginning	1,716,553	2,980,585	-	1,661,453	6,358,591
Fund Balances - Ending	$ 2,051,666	2,449,960	-	1,586,559	6,088,185

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

MARSHALL COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2015

		Amount
Net Changes in Fund Balances - Governmental Funds	$	(270,406)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of $3,912,559 exceeded depreciation of $1,913,201 in the current period.		1,999,358
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount that proceeds from sale of capital assets of $17,070 and insurance loss recoveries of $18,668 exceeded the net gain of $13,977.		(21,761)
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.		30,754
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.		(8,708)
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 repayments of $663,727 exceeded debt proceeds of $282,424.		381,303
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by the following:		
Decrease in compensated absences		5,154
Increase in accrued interest payable		(133,771)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:		
Recording of pension expense for the current year		(1,084,253)
Recording of contributions made subsequent to the measurement date		256,114
Change in Net Position of Governmental Activities	$	1,153,784

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

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

		Agency Funds
ASSETS		
Cash	$	203,309
Other receivables		7,006
Total Assets	$	210,315
LIABILITIES		
Intergovernmental payables	$	78,669
Other payables		131,646
Total Liabilities	$	210,315

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

Note 1: Summary of Significant Accounting Policies

a. Financial Reporting Entity

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

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

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

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

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

b. Basis of Presentation

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

Government-wide Financial Statements:

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

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

c. Measurement Focus and Basis of Accounting

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

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

The county reports the following major governmental funds:

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

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

Marshall County Engineering Fund – Accounts for monies from specific revenue sources that are restricted for road construction and improvement.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

FIDUCIARY FUND TYPE

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

d. Account Classifications

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

e. Deposits and Investments

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

f. Receivables

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

g. Interfund Transactions and Balances

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

h. Capital Assets

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

i. Deferred Outflows/Inflows of Resources

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

<u>Deferred outflows related to pensions</u> – 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 9 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.

<u>Property tax for future reporting period/unavailable revenue – property taxes</u> – 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.

<u>Unavailable revenue – accounts receivable</u> – 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.

<u>Unavailable revenue – fines</u> – 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.

<u>Deferred inflows related to pensions</u> – 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 9 for additional details.

Note 1: Summary of Significant Accounting Policies (Continued)

j. Pensions

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

k. Long-Term Liabilities

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

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

l. Equity Classifications

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Fund Balance Flow Assumption:

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

m. Property Tax Revenues

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

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

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

n. Intergovernmental Revenues in Governmental Funds

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

Note 1: Summary of Significant Accounting Policies (Continued)

o. Compensated Absences

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

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* 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.

Note 2: Prior Period Adjustment

A summary of significant Net Position adjustments is as follows:

Statement of Activities

Explanation				Amount
Implementation of GASB 68 and 71:				
Net pension liability (measurement date)	$	(12,912,706)		
Deferred outflows - contributions made during fiscal year 2014		247,179		
Total prior period adjustment related to GASB 68 and 71				(12,665,527)
Total			$	(12,665,527)

Note 3: Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2015, was $6,550,387 and the bank balance was $7,859,838. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Note 3: Deposits (Continued)

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.

Note 4: Interfund Transactions and Balances

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

a. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Road Maintenance Fund	General Fund	$ 99,305
Other Governmental Funds	General Fund	14,041
Total		$ 113,346

The amounts payable to the Road Maintenance Fund and Other Governmental Funds represent tax revenue, circuit court revenue, and justice court revenue collected in September 2015 but not settled until October 2015.

b. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	$ 44,000
Other Governmental Funds	General Fund	527,691
Total		$ 571,691

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

Note 5: Intergovernmental Receivables

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

Description	Amount
Food stamp reimbursement	$ 17,130
Legislative tag credit	148,794
MDA grant	28,973
MEMA reimbursement	7,692
Motor vehicle taxes and licenses	93,688
Other	30,280
Reimbursement for housing prisoners	16,560
Reimbursement for state aid roads	26,006
Sheriff fees	12,945
Waste tire grant	7,089
Total	$ 389,157

Note 5: Intergovernmental Receivables

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

Description		Amount
Food stamp reimbursement	$	17,130
Legislative tag credit		148,794
MDA grant		28,973
MEMA reimbursement		7,692
Motor vehicle taxes and licenses		93,688
Other		30,280
Reimbursement for housing prisoners		16,560
Reimbursement for state aid roads		26,006
Sheriff fees		12,945
Waste tire grant		7,089
Total	$	389,157

Note 6: Capital Assets

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

		Balance 10/1/2014	Additions	Deletions	Adjustments*	Balance 9/30/2015
Non-depreciable capital assets:						
Land	$	681,339	-	-	-	681,339
Construction in progress		2,542,202	2,832,424		(258,658)	5,115,968
Total non-depreciable capital assets		3,223,541	2,832,424	-	(258,658)	5,797,307
Depreciable capital assets:						
Infrastructure		121,190,587	340,920	-	258,658	121,790,165
Buildings		8,794,242	-	-	-	8,794,242
Mobile equipment		7,761,411	438,806	217,617	680,472	8,663,072
Furniture and equipment		973,927	13,400	-	-	987,327
Leased property under capital leases		2,275,432	287,009	-	(680,472)	1,881,969
Total depreciable capital assets		140,995,599	1,080,135	217,617	258,658	142,116,775
Less accumulated depreciation for:						
Infrastructure		68,751,229	1,151,838	-	-	69,903,067
Buildings		3,732,732	149,034	-	-	3,881,766
Mobile equipment		6,215,438	417,392	195,856	403,604	6,840,578
Furniture and equipment		738,403	45,046	-	-	783,449
Leased property under capital leases		670,713	149,891	-	(403,604)	417,000
Total accumulated depreciation		80,108,515	1,913,201	195,856	-	81,825,860
Total depreciable capital assets, net		60,887,084	(833,066)	21,761	258,658	60,290,915
Governmental activities capital assets, net	$	64,110,625	1,999,358	21,761	-	66,088,222

* Adjustments were for completion of construction in progress and leased property under capital lease whose lease was paid out.

Note 6: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	182,391
Public safety	321,419
Public works	1,409,391
Total governmental activities depreciation expense	1,913,201

Commitments with respect to unfinished capital projects at September 30, 2015, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
DECD-0047(42)B	179,986	10/2016
DECD-0047(43)B	80,114	7/2016
DECD-0047(44)B	229,994	9/2016
LSBP-47(14)	47,435	5/2016
LSBP-47(15)	431,790	4/2017
AP-47(15)S	430,000	6/2017
AP-47(19)M	53,000	4/2016

Note 7: Claims and Judgments

Risk Financing

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

Note 8: Capital Leases

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

Classes of Property		Governmental Activities
Building	$	780,000
Mobile equipment		1,101,969
Total		1,881,969
Less: Accumulated depreciation		(417,000)
Leased property under capital leases	$	1,464,969

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

		Governmental Activities	
Year Ending September 30,		Principal	Interest
2016	$	346,319	33,829
2017		217,507	26,788
2018		174,138	21,462
2019		104,631	17,231
2020		79,020	13,431
Thereafter		309,052	26,953
Total	$	1,230,667	139,694

Note 9: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. Marshall County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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 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

Note 9: Defined Benefit Pension Plan (Continued)

of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 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 fiscal years ending September 30, 2015, 2014 and 2013 were $1,036,636, $1,010,587, and $902,162, 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 $16,144,983 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 .104444 percent, which was a decrease of .001937 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of $1,864,776. 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 at 9/30/15	Deferred Inflows of Resources at 9/30/15
Differences between expected and actual experience	$ 248,463	$ -
Net difference between projected and actual earnings on pension plan investments	944,654	-
Changes of assumptions	1,390,835	-
Changes in proportion and differences between county contributions and proportionate share of contributions	-	188,749
County contributions subsequent to the measurement date	256,114	-
Total	$ 2,840,066	$ 188,749

Note 9: Defined Benefit Pension Plan (Continued)

$256,114 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	$	769,455
2017		769,455
2018		620,131
2019		236,162
2020		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the 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 Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	100 %	

Note 9: Defined Benefit Pension Plan (Continued)

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%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	$ 21,280,566	$ 16,144,983	$ 11,883,409

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

Note 10: Long-term Debt

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

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities:			
a. General Obligation Bonds:			
Justice Complex, Series 2006	$ 655,000	3.85 - 4.05%	9/2017
b. Capital Leases:			
Dodge Ram 1500 truck	$ 1,475	1.68%	11/2015
2 2011 Ford Crown Victorias	6,192	1.64%	2/2016
4 Bush Hog rotary cutters	10,791	1.87%	6/2016
4 New Holland tractors	52,395	1.87%	9/2016
4 Tiger side mowers and ditchers	48,013	1.74%	12/2016
4 New Holland tractors	66,116	1.87%	12/2016
Ford F-250	23,944	1.94%	2/2018
Ford F-250	24,776	1.94%	4/2018
Ford F-150, Chevy truck, 2 Dodge Chargers	101,908	1.94%	5/2018
2 Ford Taurus, Ford F-150, Dodge Charger	109,930	1.69%	8/2018
Caterpillar asphalt compactor	112,233	1.91%	2/2019
Miller building	185,590	5.25%	3/2022
Buford building	201,583	3.94%	1/2024
County office complex building	285,721	3.25%	1/2027
Total Capital Leases	$ 1,230,667		
c. Other Loans:			
Sheriff computer software loan	$ 5,704	4.625%	1/2016
MS Development Authority - CAP loan	250,138	3.00%	*
MS Development Authority - Roxul loan	4,512,474	3.00%	3/2031
Total Other Loans	$ 4,768,316		

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

Note 10: Long-term Debt (Continued)

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

	General Obligation Bonds		Other Loans	
Year Ending September 30,	Principal	Interest	Principal	Interest
2016	320,000	26,368	5,704	53
2017	335,000	13,568	47,075	254,540
2018	-	-	48,507	429,487
2019	-	-	178,794	299,200
2020	-	-	347,349	130,645
Thereafter	-	-	4,140,887	746,586
Total	655,000	39,936	4,768,316	1,860,511

Legal Debt Margin - The amount of debt, excluding specific exempt debt, that can be incurred by the County is limited by state statue. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a County issues bonds to repair washed out or collapsed bridges on the public roads of the county. As of September 30, 2015, the amount of outstanding debt was equal to .27% of the latest property assessments.

Commitments - On October 6, 2008, the Marshall County Board of Supervisors entered into an agreement with the City of Holly Springs relating to the financing for the construction of infrastructure for the Holly Springs Commons. The county's share is limited to 50% of the revenues of the tax increment financing or 50% of the bond payment, whichever is less. The principal balance remaining on these bonds is $103,000 at September 30, 2015. Amounts due in the next fiscal year for principal and interest are $24,000 and $4,232, respectively.

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

	Balance 10/1/2014	Additions	Reductions	Adjustments	Balance 9/30/2015	Amount due within one year
Governmental Activities:						
Compensated absences	$ 540,615	10,948	16,102	-	535,461	
General obligation bonds	960,000	-	305,000	-	655,000	320,000
Capital leases	1,290,183	282,424	341,940	-	1,230,667	346,319
Other loans	4,785,103	-	16,787	-	4,768,316	5,704
Total	$ 7,575,901	293,372	679,829	-	7,189,444	672,023

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

Note 11: 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, with exception to the following case, 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.

Northwest Mississippi Community College v. Marshall County Board of Supervisors
Marshall County Chancery Court Cause No. 2015-0680-A
Northwest Mississippi Community College filed a Complaint for Declaratory Judgment, Accounting, Monetary Judgment, Injunctive and Other Relief, in this cause on August 18, 2015, in the Chancery Court of Tate County, Mississippi. This matter was removed to Marshall County Circuit Court as a result of pleadings filed on behalf of the defense. The disposition of this case is pending. Financial exposure for this matter has not been determined at this time.

Note 12: Joint Ventures

The county participates in the following joint venture:

Marshall County is a participant with the City of Holly Springs in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Marshall County-Holly Springs Airport Authority. The joint venture was created to provide a governing authority for the airport facilities in Marshall County and is governed by a five-member board of commissioners. The board of commissioners is appointed as follows: Marshall County, two; City of Holly Springs, two; joint, one. The county appropriated $35,036 for the joint venture in fiscal year 2015.

Note 13: Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Communicare operates in a district composed of the Counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Marshall County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated $46,819 for Communicare in fiscal year 2015.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Marshall County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated $607,657 for maintenance and support of the college in fiscal year 2015.

Note 13: Jointly Governed Organizations (Continued)

Northeast Mississippi Planning and Development District is composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Marshall County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated $53,000 for support of Northeast Mississippi Planning and Development District in fiscal year 2015.

Note 14: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Marshall County evaluated the activity of the County through June 24, 2016, (the date the financial statements were available to be issued), and were aware of no subsequent events requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 9,239,884	9,612,224	9,612,224	-
Licenses, commissions and other revenue	682,621	741,994	741,994	-
Fines and forfeitures	282,500	254,935	254,935	-
Intergovernmental revenues	841,621	1,318,169	1,318,169	-
Charges for services	73,000	37,226	37,226	-
Interest income	41,100	30,810	30,810	-
Miscellaneous revenues	37,000	189,686	169,751	(19,935)
Total Revenues	11,197,726	12,185,044	12,165,109	(19,935)
EXPENDITURES				
Current:				
General government	6,188,282	5,248,911	5,248,911	-
Public safety	4,237,779	3,987,535	3,987,535	-
Public works	186,527	196,463	196,463	-
Health and welfare	926,419	846,042	846,042	-
Culture and recreation	163,084	171,160	171,160	-
Education	46,851	399,184	399,184	-
Conservation of natural resources	115,754	108,049	108,049	-
Economic development and assistance	320,705	314,657	314,657	-
Total Expenditures	12,185,401	11,272,001	11,272,001	-
Excess of Revenues over (under) Expenditures	(987,675)	913,043	893,108	(19,935)
OTHER FINANCING SOURCES (USES)				
Transfers in	43,713	44,000	44,000	-
Transfers out	(383,739)	(509,643)	(509,643)	-
Total Other Financing Sources and Uses	(340,026)	(465,643)	(465,643)	-
Net Change in Fund Balance	(1,327,701)	447,400	427,465	(19,935)
Fund Balances - Beginning	1,347,838	1,438,258	1,438,258	-
Fund Balances - Ending	$ 20,137	1,885,658	1,865,723	(19,935)

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

MARSHALL COUNTY
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
Road Maintenance Fund
For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 4,195,720	4,266,466	4,266,466	-
Road and bridge privilege taxes	504,163	481,058	481,058	-
Licenses, commissions and other revenues	25,000	25,900	25,900	-
Intergovernmental revenues	838,446	1,025,141	1,025,141	-
Interest income	18,458	18,713	18,713	-
Miscellaneous revenues	29,500	44,082	44,082	-
Total Revenues	5,611,287	5,861,360	5,861,360	-
EXPENDITURES				
Current:				
Public works	6,031,126	6,477,810	6,477,810	-
Education		62,814	62,814	-
Total Expenditures	6,031,126	6,540,624	6,540,624	-
Excess of Revenues over (under) Expenditures	(419,839)	(679,264)	(679,264)	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	-	-	-
Total Other Financing Sources and Uses	10,000	-	-	-
Net Change in Fund Balance	(409,839)	(679,264)	(679,264)	-
Fund Balances - Beginning	2,000,000	3,011,516	3,011,516	-
Fund Balances - Ending	$ 1,590,161	2,332,252	2,332,252	-

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

MARSHALL COUNTY
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
Marshall County Engineering Fund
For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	$ 250,000	187,152	187,152	-
Total Revenues	250,000	187,152	187,152	-
EXPENDITURES				
Current:				
Economic development	250,000	187,152	187,152	-
Total Expenditures	250,000	187,152	187,152	-
Excess of Revenues over (under) Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	$ -	-	-	-

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

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

	2015	2014
County's proportion of net pension liability	$ 16,144,983	$ 12,912,706
County's proportionate share of the net pension liability	0.104444%	0.106381%
County's covered-employee payroll	$ 6,581,806	$ 6,416,418
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.30%	201.24%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

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

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

	2015	2014
Contractually required contribution	$ 1,036,636	$ 1,010,587
Contribution in relation to the contractually required contribution	(1,036,636)	(1,010,587)
Contribution deficiency (excess)	$ -	$ -
County's covered-employee payroll	$ 6,581,806	$ 6,416,418
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

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

Budgetary Comparison Schedule

1. Budgetary Information

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

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

2. Basis of Presentation

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

3. Budget/GAAP Reconciliation

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

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

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

3. Budget/GAAP Reconciliation (Continued)

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	General Fund	Road Maintenance Fund	Marshall County Engineering Fund
Budget (Cash Basis)	$ 427,465	(679,264)	-
Increase (Decrease)			
Net adjustments for revenue accruals	19,461	12,479	-
Net adjustments for expenditure accruals	(251,300)	107,503	-
Adjustment for long-term debt issued	139,487	28,657	-
GAAP Basis	$ 335,113	(530,625)	-

Pension Schedules

1. Changes in benefit terms

There were no changes of benefit terms for the year ended September 30, 2015.

2. 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.

SUPPLEMENTAL INFORMATION

MARSHALL 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 Agriculture - Forest Service /				
Passed-through the Mississippi State Treasurer's Office				
School and Roads-grants to states		10.665		$ 72,845
U.S. Department of Housing and Urban Development /				
Passed-through the Mississippi Development Authority				
Community Development Block Grant - State's Programs	*	14.228	1129-12-047-ED-01	780,814
U.S. Department of the Interior				
Payments in Lieu of Taxes		15.226		63,590
National Wildlife Refuge Fund		15.659		1,580
U.S. Department of Transportation				
Passed-through Mississippi Department of Transportation				
Highway Planning and Construction		20.205	BR-BRIS-47(81)	27,810
Total Expenditures of Federal Awards				$ 946,639

* Denotes major program

Notes to Schedule of Expenditures of Federal Awards

Note A – Significant Accounting Policies

Basis of Presentation

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

OTHER INFORMATION

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

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

SPECIAL REPORTS

WWS

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

Members of the Board of Supervisors
Marshall County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, (the County) as of and for the year ended September 30, 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 June 24, 2016. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marshall County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshall County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of Marshall County, Mississippi's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2015-001 and 2015-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Marshall County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated June 24, 2016, included within this document.

Marshall County, Mississippi's Response to Findings

Marshall County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned costs. Marshall 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Eupora, Mississippi
June 24, 2016

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' 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
Marshall County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Marshall County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended September 30, 2015. Marshall County, Mississippi's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Marshall County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 Marshall County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Marshall County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of Marshall County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marshall County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Marshall County, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

Watkins Ward and Stafford, PLLC

Eupora, Mississippi
June 24, 2016

WWS

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INDEPENDENT ACCOUNTANTS' 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
Marshall County, Mississippi

We have examined Marshall 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 the bid requirements of Section 31-7-13, Miss. Code Ann. (1972), during the year ended September 30, 2015. The Board of Supervisors of Marshall County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Marshall 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 of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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

Eupora, Mississippi
June 24, 2016

Watkins Ward and Stafford, PLLC

MARSHALL COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2015

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

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

Our test results did not identify any emergency purchases.

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

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

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Marshall County, Mississippi

In planning and performing our audit of the financial statements of Marshall County, Mississippi for the year ended September 30, 2015, we considered Marshall 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 Marshall 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 June 24, 2016, on the financial statements of Marshall 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. <u>The County did not properly advertise for bank depository. Their previous bid approval ended in December 2014.</u>

   <u>Finding</u>

   Section 27-10-305, Miss. Code Ann.(1972), requires the County to advertise for bank depositories every 2 years.

   <u>Recommendation</u>

   The Board of Supervisors should ensure that the County advertises for depositories every two years as required by law.

   <u>Board of Supervisors' Response</u>

   The board of Supervisors advertised for depositories in December 2015 and accepted bids in January 2016 once they realized they were not in compliance with state law. They are currently in compliance with state statutes regarding bank depositories.

Board of Supervisors and Circuit Clerk

2. The Circuit Clerk failed to file her Annual Report and settle with the County as of April 15, 2016.

Finding

Section 9-1-45, Miss. Code Ann.(1972), requires that the Circuit Clerk file an annual report with the State Auditor and settle due funds with the County not later than April 15 of each year.

Recommendation

The Circuit Clerk should file the required annual report and submit the settlement due to the County by April 15.

Board of Supervisors' and Circuit Clerk's Response

The Circuit Clerk stated that she had family illnesses that kept her from a timely settlement. The annual report and settlement were completed prior to the issuance of the audit.

Board of Supervisors and Sheriff

3. Payments for compensatory leave for the Sheriff's department employees were approved in violation of the personnel policy

Finding

The Sheriff's personnel policy states that compensatory leave is to be paid to employees upon termination of employment. Furthermore, all compensatory time used during employment is to be used as paid time off. Audit procedures revealed that the personnel policy was not followed as compensation for compensatory time was paid to current employees during the 2015 fiscal year. Failure to follow the personnel policy caused a loss of public funds.

Recommendation

The procedures for compensatory leave outlined in the Sheriff's personnel policy should be followed for payment of compensatory time.

Board of Supervisors' Response and Sheriff's Response

The procedures for comp time outlined in the Sheriff personnel policy will be used for payment of comp time.

Marshall 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.

Eupora, Mississippi
June 24, 2016

Watkins Ward and Stafford, PLLC

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

Section 1: Summary of Auditors' Results

Financial Statements:

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

Governmental activities	Unmodified
Aggregate discretely presented component unit	Adverse
General Fund	Unmodified
Road Maintenance Fund	Unmodified
Marshall County Engineering Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

a. Material weaknesses identified?	Yes
b. Significant deficiencies identified that are not considered to be a material weakness?	None reported

3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major federal programs:

a. Material weaknesses identified?	No
b. Significant deficiencies identified?	None reported

5. Type of auditors' report issued on compliance for major 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:

   Community Development Block Grant - State's Program, CFDA #14.228

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

9. Auditee qualified as a low-risk auditee? No

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

2015-001. Component units should be included in the financial statements

Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior four years' audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

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

Board of Supervisors' Response

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

Justice Court Clerk

Material Weakness

2015-002. Segregation of duties in the Justice Court Clerk's office should be strengthened

Finding

An effective system of internal control should include an adequate segregation of duties. As reported in the prior three years' audit reports, cash collection and disbursement functions in the Justice Court office were not adequately separated for effective internal controls. The Justice Court Clerk has access to collections, prepares and makes bank deposits, prepares daily check-up sheets, reconciles the bank statements, posts the cash journal, makes monthly settlements and writes checks for all disbursements. Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation

The Board of Supervisors should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Justice Court office or that there is external oversight over the operations of the Justice Court office.

Justice Clerk's Response

The Board of Supervisors has assigned duties to the Justice Court Clerk.

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.