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**MARSHALL COUNTY, MISSISSIPPI**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**

# MARSHALL COUNTY

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**FINANCIAL SECTION**



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

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Susan M. Lummus, CPA	

## **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, 2016, and the related notes to financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Basis for Adverse Opinion on Aggregate Discretely Presented Component Units**

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

## **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of Marshall County, Mississippi, as of September 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marshall County, Mississippi, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability and the Schedule of the County's Contributions and corresponding notes on pages 31-38 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.

Management 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. The Schedule of Surety Bonds for County Officials is presented for purposes of additional analysis and is also 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2017, 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  
November 3, 2017

*Watkins Ward and Stafford, PLLC*



**FINANCIAL STATEMENTS**

MARSHALL COUNTY  
Statement of Net Position  
September 30, 2016

	Primary Government Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 6,688,865
Accrued interest receivable	7
Property tax receivable	12,163,392
Accounts receivable (net of allowance for uncollectibles of \$591,841)	3,914
Fines receivable (net of allowance for uncollectibles of \$1,634,233)	423,659
Intergovernmental receivables	1,533,784
Other receivables	50,140
Capital assets:	
Land and construction in progress	3,791,916
Other capital assets, net	62,117,605
Total Assets	<u>86,773,282</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>3,775,069</u>
Total Deferred Outflows of Resources	<u>3,775,069</u>
<b>LIABILITIES</b>	
Claims payable	302,555
Intergovernmental payables	322,289
Accrued interest payable	88,576
Other payables	206,650
Long-term liabilities:	
Net pension liability	18,501,974
Due within one year:	
Capital debt	762,392
Non-capital debt	168,401
Due in more than one year:	
Capital debt	1,365,613
Non-capital debt	5,205,721
Total Liabilities	<u>26,924,171</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	283,108
Property tax for future reporting period	12,163,392
Total Deferred Inflows of Resources	<u>12,446,500</u>
<b>NET POSITION</b>	
Net investment in capital assets	63,781,516
Restricted for:	
Expendable:	
General Government	586
Debt service	754,605
Public safety	823,468
Public works	2,640,344
Culture and recreation	2,145
Unrestricted	(16,824,984)
Total Net Position	<u>\$ 51,177,680</u>

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

MARSHALL COUNTY  
Statement of Activities  
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,336,334	1,072,404	2,562	-	(4,261,368)
Public safety	5,321,892	470,252	367,099	-	(4,484,541)
Public works	9,126,763	-	956,983	3,736,630	(4,433,150)
Health and welfare	828,302	-	73,062	-	(755,240)
Culture and recreation	347,545	-	-	-	(347,545)
Education	831,346	-	-	-	(831,346)
Conservation of natural resources	115,140	-	-	-	(115,140)
Economic development and assistance	377,508	-	19,653	-	(357,855)
Interest on long-term debt	143,539				(143,539)
Pension expense	2,566,565				(2,566,565)
Total Governmental Activities	24,994,934	1,542,656	1,419,359	3,736,630	(18,296,289)
General revenues:					
Property taxes				\$ 14,800,492	
Road and bridge privilege taxes				468,624	
Grants and contributions not restricted to specific programs				2,302,864	
Unrestricted interest income				94,656	
Miscellaneous				421,487	
Total General Revenues				18,088,123	
Changes in Net Position				(208,166)	
Net Position - Beginning, as previously reported				51,504,242	
Prior Period Adjustment				(118,396)	
Net Position - Beginning, as restated				51,385,846	
Net Position - Ending				\$ 51,177,680	

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

MARSHALL COUNTY  
Balance Sheet – Governmental Funds  
September 30, 2016

	Major Funds			Other	Total
	General	Road	Marshall County	Governmental	Governmental
	Fund	Maintenance	Engineering	Funds	Funds
		Fund	Fund		
<b>ASSETS</b>					
Cash and investments	\$ 3,706,657	1,337,123	-	1,645,085	6,688,865
Accrued interest receivable	7	-	-	-	7
Property tax receivable	8,032,506	3,516,735	-	614,151	12,163,392
Accounts Receivable (net of allowance for uncollectibles of \$591,841)	3,914	-	-	-	3,914
Fines receivable (net of allowance for uncollectibles of \$1,634,233)	423,659	-	-	-	423,659
Intergovernmental receivables	261,315	1,260,090	12,234	145	1,533,784
Other receivables	23,295	224	-	26,621	50,140
Due from other funds	-	107,284	-	9,826	117,110
Total Assets	<u>\$ 12,451,353</u>	<u>6,221,456</u>	<u>12,234</u>	<u>2,295,828</u>	<u>20,980,871</u>
<b>LIABILITIES</b>					
Liabilities:					
Claims payable	\$ 213,647	76,612	-	12,296	302,555
Intergovernmental payables	322,289	-	-	-	322,289
Due to other funds	117,110	-	-	-	117,110
Other payables	206,650	-	-	-	206,650
Total Liabilities	<u>859,696</u>	<u>76,612</u>	<u>-</u>	<u>12,296</u>	<u>948,604</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	8,032,506	3,516,735	-	614,151	12,163,392
Unavailable revenue - accounts receivable	3,914	-	-	-	3,914
Unavailable revenue - fines	423,659	-	-	-	423,659
Total Deferred Inflows of Resources	<u>8,460,079</u>	<u>3,516,735</u>	<u>-</u>	<u>614,151</u>	<u>12,590,965</u>
<b>Fund balances:</b>					
Restricted for:					
General government	-	-	-	586	586
Public safety	-	-	-	823,468	823,468
Public works	-	2,628,109	12,234	1	2,640,344
Culture and recreation	-	-	-	2,145	2,145
Debt service	-	-	-	843,181	843,181
Unassigned	3,131,578	-	-	-	3,131,578
Total Fund Balances	<u>3,131,578</u>	<u>2,628,109</u>	<u>12,234</u>	<u>1,669,381</u>	<u>7,441,302</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 12,451,353</u>	<u>6,221,456</u>	<u>12,234</u>	<u>2,295,828</u>	<u>20,980,871</u>

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

MARSHALL COUNTY  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2016

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,441,302
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 \$83,818,489.	65,909,521
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	423,659
Accounts receivable	3,914
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,502,127)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(18,501,974)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(88,576)
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	3,775,069
Deferred inflows of resources related to pensions	<u>(283,108)</u>
Total Net Position - Governmental Activities	\$ <u><u>51,177,680</u></u>

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

**MARSHALL COUNTY**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**  
**For the Year Ended September 30, 2016**

	Major Funds			Other	Total
	General	Road	Marshall County	Governmental	Governmental
	Fund	Maintenance	Engineering	Funds	Funds
		Fund	Fund		
<b>REVENUES</b>					
Property taxes	\$ 9,719,360	4,346,718	-	734,414	14,800,492
Road and bridge privilege taxes	-	468,624	-	-	468,624
Licenses, commissions and other revenue	793,000	16,641	-	28,442	838,083
Fines and forfeitures	274,230	-	-	43,764	317,994
Intergovernmental revenues	2,486,499	2,128,610	2,555,915	287,829	7,458,853
Charges for services	38,370	-	-	326,200	364,570
Interest income	57,321	20,586	-	16,749	94,656
Miscellaneous revenues	182,775	25,075	-	57,355	265,205
Total Revenues	<u>13,551,555</u>	<u>7,006,254</u>	<u>2,555,915</u>	<u>1,494,753</u>	<u>24,608,477</u>
<b>EXPENDITURES</b>					
Current:					
General government	5,543,569	-	-	16,264	5,559,833
Public safety	4,171,742	-	-	1,564,989	5,736,731
Public works	168,474	7,085,470	2,543,681	-	9,797,625
Health and welfare	839,293	-	-	-	839,293
Culture and recreation	201,357	-	-	146,188	347,545
Education	776,461	54,885	-	-	831,346
Conservation of natural resources	123,119	-	-	-	123,119
Economic development and assistance	357,423	-	-	25,703	383,126
Debt service:					
Principal	131,398	216,516	-	377,152	725,066
Interest	27,372	7,076	-	30,639	65,087
Total Expenditures	<u>12,340,208</u>	<u>7,363,947</u>	<u>2,543,681</u>	<u>2,160,935</u>	<u>24,408,771</u>
Excess of Revenues over (under) Expenditures	<u>1,211,347</u>	<u>(357,693)</u>	<u>12,234</u>	<u>(666,182)</u>	<u>199,706</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	34,961	535,842	-	390,897	961,700
Long-term non-capital debt issued	-	-	-	6,050	6,050
Proceeds from sale of capital assets	34,172	-	-	-	34,172
Insurance loss recoveries	151,489	-	-	-	151,489
Transfers in	-	-	-	352,057	352,057
Transfers out	(352,057)	-	-	-	(352,057)
Total Other Financing Sources and Uses	<u>(131,435)</u>	<u>535,842</u>	<u>-</u>	<u>749,004</u>	<u>1,153,411</u>
Net Changes in Fund Balances	<u>1,079,912</u>	<u>178,149</u>	<u>12,234</u>	<u>82,822</u>	<u>1,353,117</u>
Fund Balances - Beginning	<u>2,051,666</u>	<u>2,449,960</u>	<u>-</u>	<u>1,586,559</u>	<u>6,088,185</u>
Fund Balances - Ending	<u>\$ 3,131,578</u>	<u>2,628,109</u>	<u>12,234</u>	<u>1,669,381</u>	<u>7,441,302</u>

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, 2016**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,353,117
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,578,671 exceeded depreciation of \$2,225,102 in the current period.	353,569
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 \$34,172 and insurance loss recoveries of \$151,489 exceeded the net gain of \$156,282.	(29,379)
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.	26,887
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.	(4,878)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$967,750 exceeded debt repayments of \$725,066.	(242,684)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by the following:	
Increase in compensated absences	(69,999)
Increase in accrued interest payable	(78,452)
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current year	(2,566,565)
Recording of contributions made for the current fiscal year	1,050,218
Change in Net Position of Governmental Activities	\$ <u>(208,166)</u>

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

MARSHALL COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2016

	Agency Funds
ASSETS	
Cash	\$ 55,753
Other receivables	8,711
Total Assets	<u>\$ 64,464</u>
LIABILITIES	
Intergovernmental payables	\$ 8,168
Other payables	56,296
Total Liabilities	<u>\$ 64,464</u>

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



MARSHALL COUNTY  
Notes to 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.

MARSHALL COUNTY  
Notes to Financial Statements

**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 fund 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.

MARSHALL COUNTY  
Notes to Financial Statements

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

**FIDUCIARY FUND TYPE**

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

**d. Account Classifications**

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

**e. Deposits and Investments**

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

**f. Receivables**

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

**g. Interfund Transactions and Balances**

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

**h. Capital Assets**

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial 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 acquisition value. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

MARSHALL COUNTY  
Notes to Financial Statements

**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.

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

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

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

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

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 9 for additional details.

MARSHALL COUNTY  
Notes to Financial Statements

**Note 1: Summary of Significant Accounting Policies (Continued)**

**j. Pensions**

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

**k. Long-Term Liabilities**

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

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

**l. Equity Classifications**

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

MARSHALL COUNTY  
Notes to Financial Statements

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

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

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

**Fund Balance Flow Assumption:**

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

**m. Property Tax Revenues**

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

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

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

**n. Intergovernmental Revenues in Governmental Funds**

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

MARSHALL COUNTY  
Notes to Financial Statements

**Note 1: Summary of Significant Accounting Policies (Continued)**

**o. Compensated Absences**

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

**Note 2: Prior Period Adjustment**

A summary of significant Net Position adjustments is as follows:

Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Error in prior year accrued interest calculation	\$ 384,495
Error in calculation of prior year construction in progress	(502,891)
Total	<u><u>\$ (118,396)</u></u>

**Note 3: Deposits and Investments**

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2016, was \$6,744,618 (which includes \$500,512 of certificates of deposits with original maturities beyond three months) and the bank balance was \$7,123,846. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Investments:

Investment balances at September 30, 2016, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of Deposit	Less than 1 year	\$ <u>500,212</u>	<u>500,212</u>

MARSHALL COUNTY  
Notes to Financial Statements

**Note 3: Deposits and Investments (Continued)**

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. Of the County's investment, \$500,212 were insured by securities pledged to the State Treasurer by that institution to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Note 4: Interfund Transactions and Balances**

The following is a summary of interfund balances at September 30, 2016:

a. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Road Maintenance Fund	General Fund	\$ 107,284
Other Governmental Funds	General Fund	9,826
Total		<u>\$ 117,110</u>

The amounts payable to the Road Maintenance Fund and Other Governmental Funds represent tax revenue, circuit court revenue, and justice court revenue collected in September 2016 but not settled until October 2016.

b. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	<u>\$ 352,057</u>

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



MARSHALL COUNTY  
Notes to Financial Statements

**Note 5: Intergovernmental Receivables**

Intergovernmental receivables at September 30, 2016, consisted of the following:

Description	Amount
FEMA reimbursement	\$ 1,005,179
Food stamp reimbursement	18,460
Legislative tag credit	164,778
MEMA reimbursement	206,338
Motor vehicle taxes and licenses	75,125
Other	9,215
Reimbursement for state aid roads	12,234
Sheriff fees	19,316
Voting machines reimbursement	7,918
Waste tire grant	15,221
Total	<u>\$ 1,533,784</u>

**Note 6: Capital Assets**

The following is a summary of capital assets activity for the year ended September 30, 2016:

	Balance 10/1/2015	Additions	Deletions	Adjustments*	Balance 9/30/2016
Non-depreciable capital assets:					
Land	\$ 681,339	-	-	-	681,339
Construction in progress	5,115,968	1,029,399		(3,034,790)	3,110,577
Total non-depreciable capital assets	<u>5,797,307</u>	<u>1,029,399</u>	<u>-</u>	<u>(3,034,790)</u>	<u>3,791,916</u>
Depreciable capital assets:					
Infrastructure	121,790,165	385,840	-	2,531,899	124,707,904
Buildings	8,794,242	-	-	-	8,794,242
Mobile equipment	8,663,072	97,219	256,852	329,164	8,832,603
Furniture and equipment	987,327	104,513	5,000	-	1,086,840
Leased property under capital leases	1,881,969	961,700	-	(329,164)	2,514,505
Total depreciable capital assets	<u>142,116,775</u>	<u>1,549,272</u>	<u>261,852</u>	<u>2,531,899</u>	<u>145,936,094</u>
Less accumulated depreciation for:					
Infrastructure	69,903,067	1,227,969	-	-	71,131,036
Buildings	3,881,766	149,034	-	-	4,030,800
Mobile equipment	6,840,578	468,137	227,973	131,028	7,211,770
Furniture and equipment	783,449	76,405	4,500	-	855,354
Leased property under capital leases	417,000	303,557	-	(131,028)	589,529
Total accumulated depreciation	<u>81,825,860</u>	<u>2,225,102</u>	<u>232,473</u>	<u>-</u>	<u>83,818,489</u>
Total depreciable capital assets, net	<u>60,290,915</u>	<u>(675,830)</u>	<u>29,379</u>	<u>2,531,899</u>	<u>62,117,605</u>
Governmental activities capital assets, net	<u>\$ 66,088,222</u>	<u>353,569</u>	<u>29,379</u>	<u>(502,891)</u>	<u>65,909,521</u>

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

MARSHALL COUNTY  
Notes to Financial Statements

**Note 6: Capital Assets (Continued)**

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	212,516
Public safety	484,495
Public works	<u>1,528,091</u>
Total governmental activities depreciation expense	<u><u>2,225,102</u></u>

Commitments with respect to unfinished capital projects at September 30, 2016, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
DECD-0047(42)B	179,986	10/2016
LSBP-47(14)	47,435	10/2016
LSBP-47(15)	10,354	4/2017
LSBP-47(16)	14,886	9/2017

**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, 2016, to January 1, 2017. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Under GASB Statement No. 10, Accounting and Financial Reporting for Risks Financing and Related Insurance Issues, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. As of the date of this audit report, there were no known claims above the amount of coverage purchased for risks of loss related to torts, theft of, damage to, and the destruction of assets, errors and omissions, injuries to employees, natural disasters at September 30, 2016, therefore no liability has been accrued at this time.

MARSHALL COUNTY  
Notes to Financial Statements

**Note 8: Capital Leases**

As lessee, the County is obligated for the following assets through capital leases as of September 30, 2016:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Building	\$ 780,000
Mobile equipment	<u>1,734,505</u>
Total	2,514,505
Less: Accumulated depreciation	<u>(589,529)</u>
Leased property under capital leases	<u><u>\$ 1,924,976</u></u>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 427,392	44,560
2018	378,299	34,182
2019	306,044	25,713
2020	250,020	18,024
2021	205,347	11,049
2022 - 2026	218,476	17,569
2027 - 2031	<u>7,427</u>	<u>163</u>
Total	<u><u>\$ 1,793,005</u></u>	<u><u>151,260</u></u>

**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 in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly

MARSHALL COUNTY  
Notes to Financial Statements

**Note 9: Defined Benefit Pension Plan (Continued)**

for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**Contributions.** At September 30, 2016, 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, 2016 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, 2016, 2015, and 2014 were \$1,050,218, \$1,036,636, and \$1,010,587, 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, 2016, the County reported a liability of \$18,501,974 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2016 net pension liability was .10358 percent, which was based on a measurement date of June 30, 2016. This was a decrease of .000864 percent from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended September 30, 2016, the County recognized pension expense of \$2,566,565. At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources at 9/30/16</b>	<b>Deferred Inflows of Resources at 9/30/16</b>
Differences between expected and actual experience	\$ 462,339	\$ -
Net difference between projected and actual earnings on pension plan investments	2,170,532	-
Changes of assumptions	879,498	49,165
Changes in proportion and differences between county contributions and proportionate share of contributions	-	233,943
County contributions subsequent to the measurement date	262,700	-
Total	<u>\$ 3,775,069</u>	<u>\$ 283,108</u>

MARSHALL COUNTY  
Notes to Financial Statements

**Note 9: Defined Benefit Pension Plan (Continued)**

\$262,700 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, 2017. 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:	
2017	\$ 1,192,011
2018	1,042,687
2019	629,054
2020	\$ 365,509

Actuarial Assumptions. The total pension liability in the June 30, 2016 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, 2016 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, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	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	<u>100 %</u>	

MARSHALL COUNTY  
Notes to Financial Statements

**Note 9: Defined Benefit Pension Plan (Continued)**

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 23,723,679	\$ 18,501,974	\$ 14,169,652

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

MARSHALL COUNTY  
Notes to Financial Statements

**Note 10: Long-term Debt**

Debt outstanding as of September 30, 2016, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
a. General Obligation Bonds:			
Justice Complex, Series 2006	\$ <u>335,000</u>	3.85 - 4.05%	9/2017
b. Capital Leases:			
4 Tiger side mowers and ditchers	\$ 12,090	1.74%	12/2016
4 New Holland tractors	13,347	1.87%	12/2016
Ford F-250	14,172	1.94%	2/2018
Ford F-250	15,332	1.94%	4/2018
Ford F-150, Chevy truck, 2 Dodge Chargers	64,309	1.94%	5/2018
2 Ford Taurus, Ford F-150, Dodge Charger	70,874	1.69%	8/2018
Caterpillar asphalt compactor	84,966	1.91%	2/2019
Ford F-250	24,187	2.01%	4/2019
4 Bush Hog cutters	25,351	2.01%	5/2019
Chevrolet Pursuit Tahoe	32,225	1.51%	7/2019
Ford F-150	38,067	2.00%	9/2019
4 Caterpillar backhoe loaders	420,310	2.07%	5/2021
E-911 system upgrade	372,351	2.19%	6/2021
Miller building	160,438	5.25%	3/2022
Buford building	180,785	3.94%	1/2024
County office complex building	<u>264,201</u>	3.25%	1/2027
Total Capital Leases	\$ <u>1,793,005</u>		
c. Other Loans:			
MS Development Authority - CAP loan	\$ 250,138	3.00%	*
MS Development Authority - Roxul loan	<u>4,518,524</u>	3.00%	3/2031
Total Other Loans	\$ <u>4,768,662</u>		

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

Marshall County  
Notes to Financial Statements

**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:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2017	\$ 335,000	13,568	\$ 168,401	135,750
2018	-	-	220,528	138,307
2019	-	-	227,164	131,671
2020	-	-	233,999	124,836
2021	-	-	241,040	117,795
2022 - 2026	-	-	1,089,535	485,904
2027 - 2031	-	-	1,201,548	319,207
2032 - 2036	-	-	1,386,447	127,834
Total	<u>\$ 335,000</u>	<u>13,568</u>	<u>\$ 4,768,662</u>	<u>1,581,304</u>

Legal Debt Margin - The amount of debt, excluding specific exempt debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a County issues bonds to repair washed out or collapsed bridges on the public roads of the county. As of September 30, 2016, the amount of outstanding debt was equal to .12% 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 \$79,000 at September 30, 2016. Amounts due in the next fiscal year for principal and interest are \$25,000 and \$3,092, respectively.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

	Balance 10/1/2015	Additions	Reductions	Adjustments	Balance 9/30/2016	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 535,461	69,999	-	-	605,460	
General obligation bonds	655,000	-	320,000	-	335,000	335,000
Capital leases	1,230,667	961,700	399,362	-	1,793,005	427,392
Other loans	4,768,316	6,050	5,704	-	4,768,662	168,401
Total	<u>\$ 7,189,444</u>	<u>1,037,749</u>	<u>725,066</u>	<u>-</u>	<u>7,502,127</u>	<u>930,793</u>

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



MARSHALL COUNTY  
Notes to Financial Statements

**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, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

**Note 12: Effect of Deferred Amounts on Net Position**

The governmental activities' unrestricted net position amount of \$(16,824,984) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$262,700 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. The \$3,512,369 balance of the deferred outflow of resources related to pensions at September 30, 2016, will be recognized in pension expense over the next four years. The \$283,108 balance of the deferred inflow of resources related to pension at September 30, 2016, will be recognized in pension expense over the next three years.

The governmental activities' net position amount includes the effect of recognition of deferring the recognition of revenue resulting from property tax receivable. The \$12,163,392 balance of deferred inflows of resources from property tax for future reporting period at September 30, 2016, will be recognized as revenue in the next fiscal year.

**Note 13: 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 \$29,150 for the joint venture in fiscal year 2016.

MARSHALL COUNTY  
Notes to Financial Statements

**Note 14: Jointly Governed Organizations**

The county participates in the following jointly governed organizations:

Communicare operates in a district composed of the Counties of Calhoun, Lafayette, Marshall, Panola, Tate and Yalobusha. The Marshall County Board of Supervisors appoints one of the six members of the board of commissioners. The county appropriated \$46,819 for Communicare in fiscal year 2016.

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 \$658,744 for maintenance and support of the college in fiscal year 2016.

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 \$30,000 for support of Northeast Mississippi Planning and Development District in fiscal year 2016.

**Note 15: 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 November 3, 2017, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/2/2016	1.93%	\$ 78,694	Lease purchase	Ad valorem taxes

**REQUIRED SUPPLEMENTARY INFORMATION**

MARSHALL COUNTY  
 Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 9,208,800	9,208,800	9,698,482	489,682
Licenses, commissions and other revenue	667,041	667,041	789,270	122,229
Fines and forfeitures	282,500	282,500	279,455	( 3,045)
Intergovernmental revenues	909,500	909,500	2,466,899	1,557,399
Charges for services	35,000	35,000	41,570	6,570
Interest income	27,100	27,100	56,411	29,311
Miscellaneous revenues	74,000	74,000	167,660	93,660
Total Revenues	<u>11,203,941</u>	<u>11,203,941</u>	<u>13,499,747</u>	<u>2,295,806</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,307,968	6,307,968	5,571,305	736,663
Public safety	4,282,779	4,282,779	4,198,535	84,244
Public works	180,641	180,641	166,710	13,931
Health and welfare	926,419	926,419	835,537	90,882
Culture and recreation	163,084	163,084	177,929	( 14,845)
Education	46,851	46,851	776,461	( 729,610)
Conservation of natural resources	151,898	151,898	123,686	28,212
Economic development and assistance	368,705	368,705	357,423	11,282
Total Expenditures	<u>12,428,345</u>	<u>12,428,345</u>	<u>12,207,586</u>	<u>220,759</u>
Excess of Revenues over (under) Expenditures	<u>( 1,224,404)</u>	<u>( 1,224,404)</u>	<u>1,292,161</u>	<u>2,516,565</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets	-	-	215,351	215,351
Transfers in	260,713	260,713	-	( 260,713)
Transfers out	( 653,309)	( 653,309)	( 352,057)	301,252
Total Other Financing Sources and Uses	<u>( 392,596)</u>	<u>( 392,596)</u>	<u>( 136,706)</u>	<u>255,890</u>
Net Change in Fund Balance	( 1,617,000)	( 1,617,000)	1,155,455	2,772,455
Fund Balances - Beginning	<u>1,865,723</u>	<u>1,865,723</u>	<u>1,865,723</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 248,723</u>	<u>248,723</u>	<u>3,021,178</u>	<u>2,772,455</u>

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

MARSHALL COUNTY  
 Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)  
 Road Maintenance Fund  
 For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,072,359	4,072,359	4,339,614	267,255
Road and bridge privilege taxes	504,163	504,163	467,699	(36,464)
Licenses, commissions and other revenues	25,000	25,000	11,158	(13,842)
Intergovernmental revenues	958,000	958,000	967,555	9,555
Interest income	16,000	16,000	20,586	4,586
Miscellaneous revenues	51,900	51,900	25,435	(26,465)
Total Revenues	<u>5,627,422</u>	<u>5,627,422</u>	<u>5,832,047</u>	<u>204,625</u>
EXPENDITURES				
Current:				
Public works	6,591,203	6,617,855	6,772,291	(154,436)
Education	-	-	54,885	(54,885)
Total Expenditures	<u>6,591,203</u>	<u>6,617,855</u>	<u>6,827,176</u>	<u>(209,321)</u>
Excess of Revenues over (under) Expenditures	<u>( 963,781)</u>	<u>( 990,433)</u>	<u>( 995,129)</u>	<u>(4,696)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>( 963,781)</u>	<u>( 990,433)</u>	<u>( 995,129)</u>	<u>(4,696)</u>
Fund Balances - Beginning	2,000,000	2,000,000	2,332,252	332,252
Fund Balances - Ending	<u>\$ 1,036,219</u>	<u>1,009,567</u>	<u>1,337,123</u>	<u>327,556</u>

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

MARSHALL COUNTY  
 Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)  
 Marshall County Engineering Fund  
 For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 200,000	200,000	198,954	(1,046)
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>198,954</u>	<u>(1,046)</u>
EXPENDITURES				
Current:				
Economic development	200,000	200,000	198,954	1,046
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>198,954</u>	<u>1,046</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of net pension liability	\$ 18,501,974	\$ 16,144,983	\$ 12,912,706
County's proportionate share of the net pension liability	0.103580%	0.104444%	0.106381%
County's covered-employee payroll	\$ 6,626,219	\$ 6,525,083	\$ 6,500,406
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	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\*

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

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

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



MARSHALL COUNTY  
Notes to Required Supplementary Information

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).

MARSHALL COUNTY  
Notes to Required Supplementary Information

**3. Budget/GAAP Reconciliation (Continued)**

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

	General Fund	Road Maintenance Fund	Marshall County Engineering Fund
Budget (Cash Basis)	\$ 1,155,455	(995,129)	-
Increase (Decrease)			
Net adjustments for revenue accruals	22,118	1,174,207	2,356,961
Net adjustments for expenditure accruals	(132,622)	(536,771)	(2,344,727)
Adjustment for long-term debt issued	34,961	535,842	-
GAAP Basis	<u>\$ 1,079,912</u>	<u>178,149</u>	<u>12,234</u>

**4. Excess of Actual Expenditures Over Budget in Individual Funds**

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2016:

Fund	Excess
General Fund	\$ 744,455
Road Maintenance Fund	\$ 209,321

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

Pension Schedules

**1. Changes in benefit terms**

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

**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.

In 2016 and later, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

**SUPPLEMENTARY INFORMATION**

MARSHALL COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2016

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		\$ 71,730
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	19,653
U.S. Department of the Interior Payments in Lieu of Taxes	15.226		71,305
National Wildlife Refuge Fund	15.659		1,580
U.S. Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	* 97.036		1,005,179
Homeland Security Grant Program	97.067		<u>11,903</u>
 Total Expenditures of Federal Awards			 \$ <u><u>1,181,350</u></u>

\* Denotes major program

The accompanying notes to schedule of expenditures of federal awards are an integral part of this schedule.

MARSHALL COUNTY  
Notes to Schedule of Expenditures of Federal Awards

**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, includes the federal award activity of Marshall County, Mississippi under programs of the federal and state governments for the year ended September 30, 2016. The schedule presents only a selected portion of the operations of Marshall County, Mississippi and is not intended to, and does not, present the financial position, changes in net position, or cash flows of the County.

**Note 2 – Basis of Accounting**

The schedule is prepared on the same basis of accounting as Marshall County, Mississippi's financial statements. The County uses the current financial resource measurement focus and the modified accrual basis of accounting.

**Note 3 – Program Costs**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Entire program costs, including the County's portion, are more than shown. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to its reimbursements.

**Note 4 – Indirect Cost Rate**

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

**OTHER INFORMATION**

MARSHALL COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2016  
Unaudited

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

## **SPECIAL REPORTS**





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

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 3, 2017. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 2016-001 and 2016-002 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 also noted certain matters which we have reported to the management of Marshall County, Mississippi, in the Independent Accountants' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated November 3, 2017, 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 Corrective Action Plan. 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  
November 3, 2017

*Watkins Ward and Stafford, PLLC*



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

Members of the Board of Supervisors  
Marshall County, Mississippi

**Report on Compliance for the Major Federal Program**

We have audited Marshall County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Marshall County, Mississippi's major federal program for the year ended September 30, 2016. 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 Marshall County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for 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, 2016.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Eupora, Mississippi  
November 3, 2017

*Watkins Ward and Stafford, PLLC*



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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, 2016. 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.

The results of our audit procedures disclosed one instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

**Inventory Clerk.**

**1. Inventory items missing**

**Finding**

Two freezer chests were listed on the inventory at September 30, 2016, that were not found on county property.

**Recommendation**

The loss of these inventory items should be disposed of on the inventory listing in a manner appropriate with state law.

**Inventory Clerk's Response**

We will dispose of the assets in a manner deemed appropriate under state inventory laws.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Marshall County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2016.

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.

Marshall County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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

Eupora, Mississippi  
November 3, 2017

*Watkins Ward and Stafford, PLLC*

MARSHALL COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2016

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, 2016

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, 2016

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, 2016, 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 November 3, 2017, 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 and Circuit Clerk

1. The Circuit Clerk failed to file her Annual Report and settle with the County as of April 15, 2017.

#### 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 the annual report and settlement have been completed prior to the issuance of the audit.

Board of Supervisors and Sheriff

2. 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 2016 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.

Board of Supervisors

3. Excess of actual expenditures over budget

Finding

§19-11-17 states that no expenditures shall be made, or liabilities incurred, or warrants issued, in excess of the budget estimates as finally determined by the board of supervisors. Budget items were exceeded in the General Fund and Road Maintenance Fund.

Recommendation

No expenditures should be made in excess of budgeted items.

Board of Supervisors' Response

The County will ensure that no expenditures are made in excess of budgeted items in the current and future budgets.

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  
November 3, 2017

*Watkins Ward and Stafford, PLLC*

MARSHALL COUNTY  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2016

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 2 CFR 200.516(a)? No
7. Identification of major federal programs:

Disaster Grants – Public Assistance (Presidentially Declared Disasters)  
CFDA #97.036
8. The dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as a low-risk auditee? No

MARSHALL COUNTY  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2016

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

2016-001. Component units should be included in the financial statements

Finding

Criteria: Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units.

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

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

Cause: Due to the restrictive budgets and financial burden, the County chose not to include the component units in the financial statements.

Recommendation

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

Views of the Board of Supervisors

Due to the restrictive budgets and financial burden, the County chose not to include the component units in the financial statements.

Justice Court Clerk

Material Weakness

2016-002. Segregation of duties in the Justice Court Clerk's office should be strengthened

Finding

Criteria: An effective system of internal control should include an adequate segregation of duties.

Condition: As reported in the prior six years' audit reports, cash collection and disbursement functions in the Justice Court office were not adequately separated for effective internal controls.

Effect: Failure to have an adequate segregation of duties could result in the loss of public funds.

MARSHALL COUNTY  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2016

Cause: 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.

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.

Views of the Justice Court Clerk

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

Section 3: Federal Award Findings and Questioned Costs

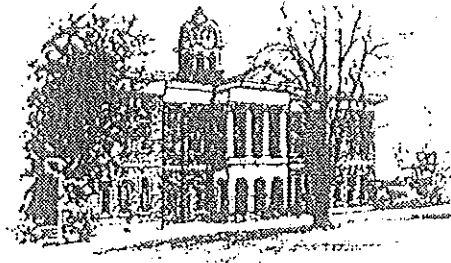
The results of our tests did not disclose any findings and questioned costs related to federal awards.

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### Finance & Compliance Audit Division

As required by Section 2 CFR 200.516(a) of the Uniform Circular, Marshall County, Mississippi, has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2016.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2016-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Chuck Thomas, Chancery Clerk and George Zinn, III, President of the Board</p> <p>b. Corrective Action Planned:</p> <p>Due to the restrictive budgets and financial burden, the County chose not to include the component units in the financial statements.</p> <p>c. Anticipated Completion Date:</p> <p>N/A</p>
2016-002	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Monet Autry, Justice Court Clerk</p> <p>b. Corrective Action Planned:</p> <p>Perform the duties assigned to the Justice Court Clerk</p> <p>c. Anticipated Completion Date:</p> <p>N/A</p>

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### SUMMARY OF PRIOR YEAR AUDIT FINDINGS

#### Financial and Compliance Audit Division

As required by Section 2 CFR 200.516(a) of the Uniform Guidance, Marshall County, Mississippi, has prepared and hereby submits the following summary schedule of prior audit findings as of September 30, 2016:

<u>Finding</u>	<u>Status</u>
2015-001	Not Corrected
2015-002	Not Corrected