

MARION COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2017

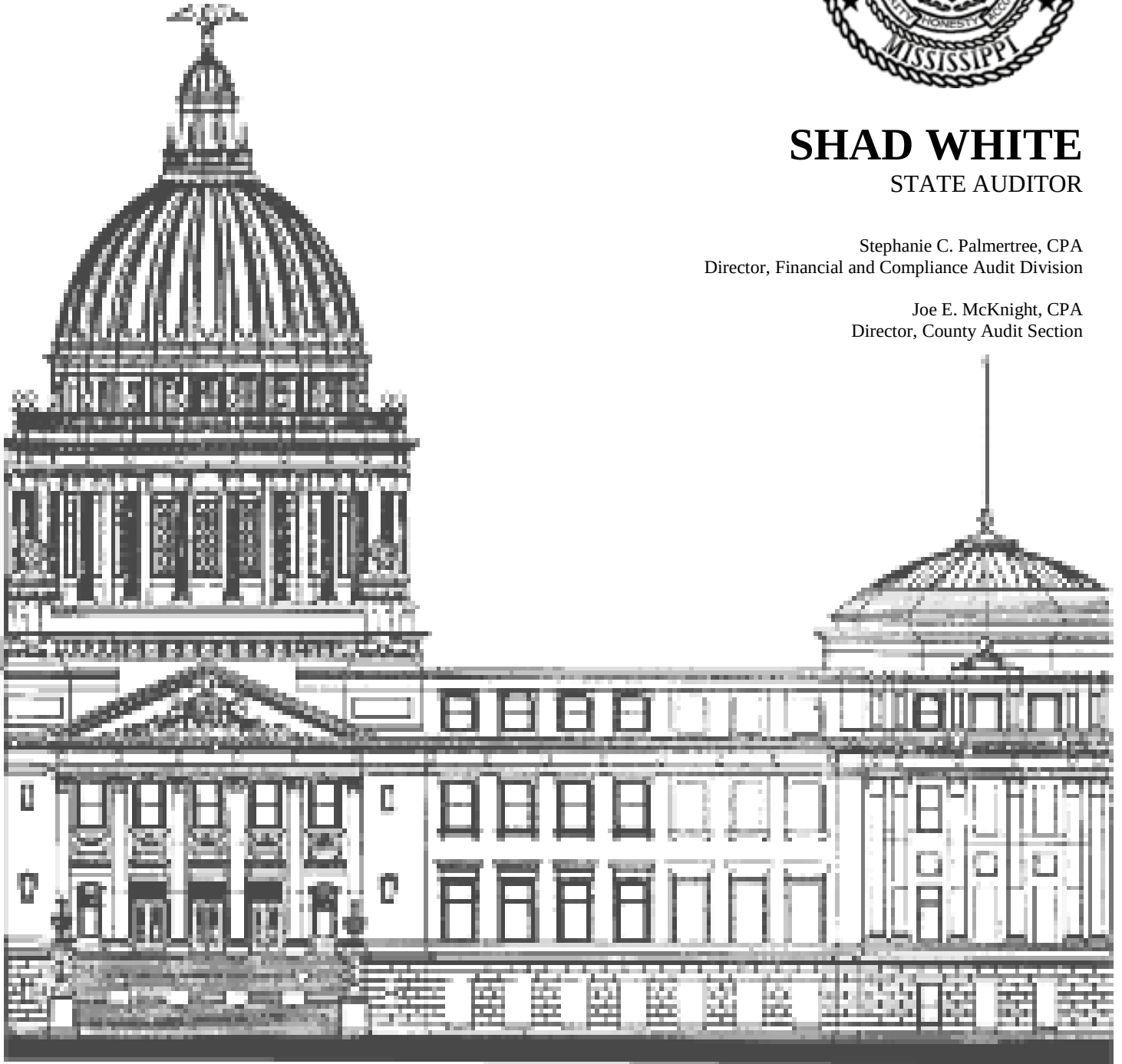


SHAD WHITE

STATE AUDITOR

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

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
Shad White
AUDITOR

December 18, 2019

Members of the Board of Supervisors
Marion County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2017 financial and compliance audit report for Marion County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", is written over a horizontal line.

Shad White

MARION COUNTY
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MARION COUNTY

FINANCIAL SECTION

MARION COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Marion County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Mississippi, (the County) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Marion County, Mississippi, as of September 30, 2017, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Mississippi, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

Other Information

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 December 18, 2019 on our consideration of Marion County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Marion County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marion County, Mississippi's internal control over financial reporting and compliance.

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 18, 2019

MARION COUNTY

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MARION COUNTY

FINANCIAL STATEMENTS

MARION COUNTY

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MARION COUNTY
Statement of Net Position
September 30, 2017

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 5,357,607	482,407	5,840,014
Restricted assets - investments		880,627	880,627
Property tax receivable	9,692,343	414,352	10,106,695
Accounts receivable (net of allowance for uncollectibles of \$213,544)		453,782	453,782
Fines receivable (net of allowance for uncollectibles of \$2,958,665)	675,572		675,572
Intergovernmental receivables	174,692	187,952	362,644
Other receivables	1,456		1,456
Internal balances	102,573	(102,573)	
Capital assets:			
Land	663,344	60,000	723,344
Other capital assets, net	29,992,564	5,411,144	35,403,708
Total Assets	46,660,151	7,787,691	54,447,842
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	510,529	352,896	863,425
Deferred amount on refunding	26,367	19,012	45,379
Total Deferred Outflows of Resources	536,896	371,908	908,804
LIABILITIES			
Claims payable	493,420	169,797	663,217
Intergovernmental payables	695,051		695,051
Accrued interest payable	65,993	3,888	69,881
Unearned revenue		38,519	38,519
Other payables	92,359		92,359
Long-term liabilities			
Net pension liability	8,660,492	4,611,793	13,272,285
Due within one year:			
Capital debt	705,283	674,706	1,379,989
Non-capital debt	389,834		389,834
Due in more than one year:			
Capital debt	2,612,192	2,268,647	4,880,839
Non-capital debt	2,293,728		2,293,728
Total Liabilities	16,008,352	7,767,350	23,775,702
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	307,533	141,401	448,934
Deferred revenues - property taxes	9,692,343	414,352	10,106,695
Total Deferred Inflows of Resources	9,999,876	555,753	10,555,629
NET POSITION			
Net investment in capital assets	27,364,800	2,546,803	29,911,603
Restricted for:			
Expendable:			
General government	656,006		656,006
Public safety	881,827		881,827
Public works	558,062	164,062	722,124
Culture and recreation	11,492		11,492
Economic development and assistance	11,813		11,813
Debt service	640,525	880,627	1,521,152
Unemployment compensation	33,015		33,015
Unrestricted	(8,968,721)	(3,754,996)	(12,723,717)
Total Net Position	\$ 21,188,819	(163,504)	21,025,315

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

MARION COUNTY
Statement of Activities
For the Year Ended September 30, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business-type	Total
					Governmental Activities	Activities	
Primary government:							
Governmental activities:							
General government	\$ 4,398,896	739,817	141,498		(3,517,581)		(3,517,581)
Public safety	3,951,973	438,085	392,464		(3,121,424)		(3,121,424)
Public works	3,325,616		1,161,765	338,224	(1,825,627)		(1,825,627)
Health and welfare	403,546		46,736		(356,810)		(356,810)
Culture and recreation	116,466				(116,466)		(116,466)
Conservation of natural resources	59,242				(59,242)		(59,242)
Economic development and assistance	148,388				(148,388)		(148,388)
Interest on long-term debt	207,709				(207,709)		(207,709)
Pension expense	1,246,969				(1,246,969)		(1,246,969)
Total Governmental Activities	13,858,805	1,177,902	1,742,463	338,224	(10,600,216)		(10,600,216)
Business-type activities:							
Marion/Walthall Correctional Facility	4,465,607	4,452,290				(13,317)	(13,317)
Garbage and Solid Waste	974,951	869,662				(105,289)	(105,289)
Total Business-type Activities	5,440,558	5,321,952	0	0		(118,606)	(118,606)
Total Primary Government	\$ 19,299,363	6,499,854	1,742,463	338,224	(10,600,216)	(118,606)	(10,718,822)
General revenues:							
Property taxes					\$ 9,072,109	402,068	9,474,177
Road & bridge privilege taxes					292,616		292,616
Grants and contributions not restricted to specific programs					577,887	125,358	703,245
Unrestricted interest income					28,016	4,900	32,916
Miscellaneous					474,983	112,583	587,566
Transfers					22,257	(22,257)	
Total General Revenues and Transfers					10,467,868	622,652	11,090,520
Changes in Net Position					(132,348)	504,046	371,698
Net Position - Beginning, as previously reported					21,719,741	(1,061,156)	20,658,585
Fund reclassification					(387,971)	387,971	
Prior period adjustment					(10,603)	5,635	(4,968)
Net Position - Beginning, as restated					21,321,167	(667,550)	20,653,617
Net Position - Ending					\$ 21,188,819	(163,504)	21,025,315

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

MARION COUNTY
Balance Sheet - Governmental Funds
September 30, 2017

Exhibit 3

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 2,411,575	2,946,032	5,357,607
Property tax receivable	7,483,057	2,209,286	9,692,343
Fines receivable (net of allowance for uncollectibles of \$2,958,665)	675,572		675,572
Intergovernmental receivables	174,692		174,692
Other receivables	1,456		1,456
Due from other funds	44,906	133,582	178,488
Advances to other funds	78,873		78,873
Total Assets	<u>\$ 10,870,131</u>	<u>5,288,900</u>	<u>16,159,031</u>
LIABILITIES			
Liabilities:			
Claims payable	\$ 260,255	233,165	493,420
Intergovernmental payables	661,352		661,352
Due to other funds	188,487		188,487
Other payables	92,359		92,359
Total Liabilities	<u>1,202,453</u>	<u>233,165</u>	<u>1,435,618</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	7,483,057	2,209,286	9,692,343
Unavailable revenue - fines	675,572		675,572
Total Deferred Inflows of Resources	<u>8,158,629</u>	<u>2,209,286</u>	<u>10,367,915</u>
Fund balances:			
Nonspendable:			
Advances	78,873		78,873
Restricted for:			
General government		656,006	656,006
Public safety		881,827	881,827
Public works		558,062	558,062
Culture and recreation		11,492	11,492
Economic development and assistance		11,813	11,813
Debt service		706,518	706,518
Unemployment compensation		33,015	33,015
Assigned to:			
General government	26,927		26,927
Unassigned	1,403,249	(12,284)	1,390,965
Total Fund Balances	<u>1,509,049</u>	<u>2,846,449</u>	<u>4,355,498</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 10,870,131</u>	<u>5,288,900</u>	<u>16,159,031</u>

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

MARION COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2017

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,355,498
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 \$54,728,196.	30,655,908
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	675,572
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,001,037)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,660,492)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(65,993)
Deferred amount on refunding.	26,367
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	510,529
Deferred inflows of resources related to pensions	<u>(307,533)</u>
Total Net Position - Governmental Activities	\$ <u><u>21,188,819</u></u>

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

MARION COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2017

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 6,960,139	2,111,970	9,072,109
Road and bridge privilege taxes		292,616	292,616
Licenses, commissions and other revenue	543,094	7,248	550,342
Fines and forfeitures	280,725		280,725
Intergovernmental revenues	985,675	1,672,899	2,658,574
Charges for services		260,839	260,839
Interest income	15,432	12,584	28,016
Miscellaneous revenues	137,881	332,508	470,389
Total Revenues	8,922,946	4,690,664	13,613,610
EXPENDITURES			
Current:			
General government	4,157,878	364,574	4,522,452
Public safety	3,209,783	867,591	4,077,374
Public works	29,880	3,623,619	3,653,499
Health and welfare	352,765		352,765
Culture and recreation	128,740	364	129,104
Conservation of natural resources	59,242		59,242
Economic development and assistance	73,093	32,626	105,719
Debt service:			
Principal	394,302	814,959	1,209,261
Interest	92,867	112,240	205,107
Total Expenditures	8,498,550	5,815,973	14,314,523
Excess of Revenues over (under) Expenditures	424,396	(1,125,309)	(700,913)
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	51,538	236,168	287,706
Long-term non-capital debt issued		473,890	473,890
Proceeds from sale of capital assets		23,050	23,050
Compensation for loss of capital assets	5,083		5,083
Transfers in	21,263	244,967	266,230
Transfers out	(223,048)	(20,925)	(243,973)
Total Other Financing Sources and Uses	(145,164)	957,150	811,986
Net Changes in Fund Balances	279,232	(168,159)	111,073
Fund Balances - Beginning, as previously reported	1,588,983	3,014,608	4,603,591
Fund reclassification	(359,166)		(359,166)
Fund Balances - Beginning, as restated	1,229,817	3,014,608	4,244,425
Fund Balances - Ending	\$ 1,509,049	2,846,449	4,355,498

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

MARION COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 111,073
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$696,371 exceeded capital outlays of \$634,056 in the current period.	(62,315)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$4,594 and the proceeds from the sale of \$23,050 and the compensation for loss of \$5,083 in the current period.	(23,539)
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.	85,996
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,209,261 exceeded debt proceeds of \$761,596.	447,665
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 a combination of the following items:	
The amount of decrease in accrued interest payable.	453
The amortization of deferred refunding charges.	(5,274)
The amortization of refunding bond premium.	292
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(1,246,969)
Recording of contributions made during the year	558,343
Fund reclassification:	
Beginning balance for accrued interest payable	<u>1,927</u>
Change in Net Position of Governmental Activities	\$ <u><u>(132,348)</u></u>

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

MARION COUNTY
Statement of Net Position - Proprietary Funds
September 30, 2017

Exhibit 5

Business-type Activities - Enterprise Funds			
	Major Funds		
	Marion/Walthall Correctional Facility	Garbage & Solid Waste	Total
ASSETS			
Current assets:			
Cash	\$ 482,407		482,407
Restricted assets - investments	880,627		880,627
Property tax receivable	309,674	104,678	414,352
Accounts receivable (net of allowance for uncollectibles of \$213,544)		453,782	453,782
Intergovernmental receivables	187,952		187,952
Due from other funds	16,277	4,929	21,206
Total Current Assets	1,876,937	563,389	2,440,326
Noncurrent assets:			
Capital assets:			
Land	60,000		60,000
Other capital assets, net	5,097,500	313,644	5,411,144
Total Noncurrent Assets	5,157,500	313,644	5,471,144
Total Assets	7,034,437	877,033	7,911,470
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	334,089	18,807	352,896
Deferred amount on refunding	19,012		19,012
Total Deferred Outflows of Resources	353,101	18,807	371,908
LIABILITIES			
Current liabilities:			
Claims payable	98,962	70,835	169,797
Due to other funds	32,236	12,670	44,906
Advances from other funds	63,464	15,409	78,873
Accrued interest payable	3,100	788	3,888
Unearned revenue		38,519	38,519
Capital debt:			
Other long-term liabilities	638,751	35,955	674,706
Total Current Liabilities	836,513	174,176	1,010,689
Noncurrent liabilities:			
Net pension liability	4,440,279	171,514	4,611,793
Capital debt:			
Other long-term liabilities	2,268,647		2,268,647
Total Noncurrent Liabilities	6,708,926	171,514	6,880,440
Total Liabilities	7,545,439	345,690	7,891,129
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	137,680	3,721	141,401
Deferred revenues - property taxes	309,674	104,678	414,352
Total Deferred Inflows of Resources	447,354	108,399	555,753
NET POSITION			
Net investment in capital assets	2,269,114	277,689	2,546,803
Restricted for:			
Debt service	880,627		880,627
Public works		164,062	164,062
Unrestricted	(3,754,996)		(3,754,996)
Total Net Position	\$ (605,255)	441,751	(163,504)

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

MARION COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds		
	Major Funds		
	Marion/Walthall Correctional Facility	Garbage & Solid Waste	Total
Operating Revenues			
Charges for services	\$ 4,452,290	869,662	5,321,952
Miscellaneous	112,583		112,583
Total Operating Revenues	4,564,873	869,662	5,434,535
Operating Expenses			
Personal services	2,360,336	67,215	2,427,551
Contractual services	447,709	865,059	1,312,768
Materials and supplies	798,623	5,164	803,787
Depreciation expense	154,326	9,127	163,453
Indirect administrative cost	32,236	7,992	40,228
Pension expense	557,178	14,917	572,095
Total Operating Expenses	4,350,408	969,474	5,319,882
Operating Income (Loss)	214,465	(99,812)	114,653
Nonoperating Revenues (Expenses)			
Property tax	302,015	100,053	402,068
Interest income	4,893	7	4,900
Grants and contributions not restricted to specific programs	66,892	58,466	125,358
Gain (loss) on sale of capital assets		(2,388)	(2,388)
Interest expense	(106,619)	(3,089)	(109,708)
Other income (expenses)	(8,580)		(8,580)
Net Nonoperating Revenue (Expenses)	258,601	153,049	411,650
Net Income (Loss) Before Transfers	473,066	53,237	526,303
Transfers in	576		576
Transfers out	(22,833)		(22,833)
Changes in Net Position	450,809	53,237	504,046
Net Position - Beginning, as previously reported	(1,061,699)	388,514	(673,185)
Prior period adjustment	5,635		5,635
Net Position - Beginning, as restated	(1,056,064)	388,514	(667,550)
Net Position - Ending	\$ (605,255)	441,751	(163,504)

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

MARION COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2017

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Major Funds		
	Marion/Walthall Correctional Facility	Garbage & Solid Waste	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 4,326,455	872,105	5,198,560
Payments to suppliers	(1,217,834)	(921,157)	(2,138,991)
Payments to employees	(2,643,812)	(73,932)	(2,717,744)
Payments to General Fund for indirect costs	(32,236)	(7,992)	(40,228)
Other operating cash receipts	112,583		112,583
Net Cash Provided (Used) by Operating Activities	545,156	(130,976)	414,180
Cash Flows From Noncapital Financing Activities			
Intergovernmental grants received	66,892	58,466	125,358
Cash received from property taxes	302,128	100,537	402,665
Cash received from other funds:			
Operating transfers in	52,173	12,670	64,843
Cash paid to other funds:			
Operating transfers out	(70,133)		(70,133)
Interfund loan repayments	(316,635)	(3,546)	(320,181)
Net Cash Provided (Used) by Noncapital Financing Activities	34,425	168,127	202,552
Cash Flows From Capital and Related Financing Activities			
Principal paid on long-term debt	(615,000)	(34,865)	(649,865)
Interest paid on debt	(94,321)	(2,301)	(96,622)
Other receipts (payments)	(8,580)		(8,580)
Net Cash Provided (Used) by Capital and Related Financing Activities	(717,901)	(37,166)	(755,067)
Cash Flows From Investing Activities			
Interest on deposits	4,893	15	4,908
Net Cash Provided (Used) by Investing Activities	4,893	15	4,908
Net Increase (Decrease) in Cash and Cash Equivalents	(133,427)	0	(133,427)
Cash and Cash Equivalents at Beginning of Year	1,496,461	0	1,496,461
Cash and Cash Equivalents at End of Year	\$ 1,363,034	0	1,363,034
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 214,465	(99,812)	114,653
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	154,326	9,127	163,453
Provision for uncollectible accounts		(1,969)	(1,969)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		6,153	6,153
(Increase) decrease in intergovernmental receivables	(125,835)		(125,835)
Increase (decrease) in claims payable	(37,745)	(50,933)	(88,678)
Increase (decrease) in pension liability and deferred resources, net	307,709	8,199	315,908
Increase (decrease) in unearned revenue		(1,741)	(1,741)
Increase (decrease) in interfund payables	32,236		32,236
Total Adjustments	330,691	(31,164)	299,527
Net Cash Provided (Used) by Operating Activities	\$ 545,156	(130,976)	414,180

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

MARION COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2017

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 546,471
Due from other funds	<u>33,699</u>
Total Assets	\$ <u><u>580,170</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 480,228
Intergovernmental payables	<u>99,942</u>
Total Liabilities	\$ <u><u>580,170</u></u>

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Marion County Economic Development District

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Fund:

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

The County reports the following major Enterprise Funds:

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

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Restricted Assets.

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

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

I. Capital Assets.

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

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

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

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

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

J. Deferred Outflows/Inflows of Resources:

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

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

Deferred outflows related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 12 and 16 for additional details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 12 and 16 for additional details.

K. Pensions.

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

L. Long-term Liabilities.

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

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact.

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

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

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

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

Fund Balance Flow Assumption:

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

N. Property Tax Revenues:

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

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

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

O. Intergovernmental Revenues in Governmental Funds.

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

(2) Fund Reclassification.

The Marion County Women's Facility fund's beginning net position of \$(387,971) and beginning fund balance of \$(359,166) was reclassified from business-type activities to governmental activities, and from an enterprise fund to the general fund, respectively. As of October 1, 2016, the operations of the Marion County Women's Facility ceased due to the Mississippi Department of Corrections no longer housing female inmates at the facility.

(3) Prior Period Adjustments.

A summary of the significant net position/fund balance adjustments is as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To properly record capital asset balances.	\$ <u>(10,603)</u>

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

Exhibit 2 – Statement of Activities – Business-type Activities.

<u>Explanation</u>	<u>Amount</u>
To properly record capital asset balances.	\$ <u>5,635</u>

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

<u>Explanation</u>	<u>Amount</u>
To properly record capital asset balances.	\$ <u>5,635</u>

(4) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$6,386,485, and the bank balance was \$6,621,312. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

Investments:

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

Investments balances at September 30, 2017, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities	Less than one	\$ <u>880,627</u>	AAAm
Money Market Mutual Fund	year		

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.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

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, \$880,627 of underlying securities were uninsured, unregistered, and held in trust accounts by the investment's counterparty on behalf of the County, not in the name of the County.

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

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2017:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Garbage and Solid Waste Fund	\$ 12,670
General Fund	Marion/Walthall Correctional Facility Fund	32,236
Other Governmental Funds	General Fund	133,582
Marion/Walthall Correctional Facility Fund	General Fund	16,277
Garbage and Solid Waste Fund	General Fund	4,929
Agency Funds	General Fund	33,699
Total		<u>\$ 233,393</u>

The General Fund receivable from the Garbage and Solid Waste Fund and the Marion/Walthall Correctional Facility Fund represents the indirect costs incurred during the year. Also, it represents loans to cover September 30 negative cash balances in the Garbage and Solid Waste Fund. Funds receivable from the General Fund represent the tax revenue collected in September, 2017, but not settled until October, 2017. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Garbage and Solid Waste Fund	\$ 15,409
General Fund	Marion/Walthall Correctional Facility Fund	63,464
Total		<u>\$ 78,873</u>

The advances represent interfund loans relating to indirect cost associated with the operations of the Garbage and Solid Waste Fund and the Marion/Walthall Correctional Facility Fund.

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2017

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 20,430
General Fund	Marion/Walthall Correctional Facility Fund	833
Other Governmental Funds	Other Governmental Funds	495
Other Governmental Funds	General Fund	222,472
Other Governmental Funds	Marion/Walthall Correctional Facility Fund	22,000
Marion/Walthall Correctional Facility Fund	General Fund	<u>576</u>
Total		<u>\$ 266,806</u>

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

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2017, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 123,828
Emergency management performance grants	24,413
DUI grant	<u>26,451</u>
Total Governmental Activities	<u>\$ 174,692</u>
Business-type Activities:	
Local counties prisoner housing and medical reimbursement	\$ 170,492
MDOC prisoner housing reimbursement	<u>17,460</u>
Total Business-type Activities	<u>\$ 187,952</u>

(7) Restricted Assets.

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

Reserve fund	\$ 1,779
General fund	75,636
Debt service reserve fund	357,374
Excess revenue fund	153,962
Depreciation and operating reserve fund	<u>291,876</u>
Total restricted assets	<u>\$ 880,627</u>

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2017

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2017:

Governmental activities:

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments*	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 663,344				663,344
Total non-depreciable capital assets	663,344	0	0	0	663,344
<u>Depreciable capital assets:</u>					
Infrastructure	64,872,084	378,811	19,725		65,231,170
Buildings	9,027,785			1,542,413	10,570,198
Improvements other than buildings	811,516				811,516
Mobile equipment	4,405,246	6,000	201,758	240,064	4,449,552
Furniture and equipment	2,827,287	17,539		24,663	2,869,489
Leased property under capital leases	853,537	231,706		(296,408)	788,835
Total depreciable capital assets	82,797,455	634,056	221,483	1,510,732	84,720,760
<u>Less accumulated depreciation for:</u>					
Infrastructure	43,468,646	180,600	19,725		43,629,521
Buildings	3,885,454	186,706		406,005	4,478,165
Improvements other than buildings	338,095	30,217			368,312
Mobile equipment	3,347,180	186,278	178,219	107,915	3,463,154
Furniture and equipment	2,587,983	41,560		15,909	2,645,452
Leased property under capital leases	231,206	71,010		(158,624)	143,592
Total accumulated depreciation	53,858,564	696,371	197,944	371,205	54,728,196
Total depreciable capital assets, net	28,938,891	(62,315)	23,539	1,139,527	29,992,564
Governmental activities capital assets, net \$	29,602,235	(62,315)	23,539	1,139,527	30,655,908

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2017

Business-type activities:

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments *	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 60,000				60,000
Total non-depreciable capital assets	60,000	0	0	0	60,000
<u>Depreciable capital assets:</u>					
Buildings	9,130,650			(1,542,413)	7,588,237
Mobile equipment	232,772		23,880	56,344	265,236
Furniture and equipment	189,565			(24,663)	164,902
Total depreciable capital assets	9,552,987	-	23,880	(1,510,732)	8,018,375
<u>Less accumulated depreciation for:</u>					
Buildings	2,466,167	151,767		(401,037)	2,216,897
Mobile equipment	203,914	2,790	21,491	50,709	235,922
Furniture and equipment	161,425	8,896		(15,909)	154,412
Total accumulated depreciation	2,831,506	163,453	21,491	(366,237)	2,607,231
Total depreciable capital assets, net	6,721,481	(163,453)	2,389	(1,144,495)	5,411,144
Business-type activities capital assets, net	\$ 6,781,481	(163,453)	2,389	(1,144,495)	5,471,144

*Adjustments were made to reclassify an asset from governmental activities to business-type activities and to remove beginning balances of capital assets, net, due to a fund reclassification. All other adjustments were to reclassify paid-off capital leases to mobile equipment and to correct prior year errors in capital assets.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 146,446
Public safety	52,038
Public works	399,212
Health and welfare	52,772
Culture and recreation	3,234
Economic development and assistance	42,669
Total governmental activities depreciation expense	\$ 696,371
Business-type activities:	
Marion/Walthall Correctional Facility	\$ 154,326
Garbage and Solid Waste	9,127
Total business-type activities depreciation expense	\$ 163,453

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

(9) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2017, to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Operating Leases.

As Lessor:

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

On February 1, 2015, Marion County entered into a non-cancellable operating lease agreement with Columbia Parachute Company for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lessee would pay the County \$1,800 per month in lease payments commencing February 1, 2015 for a term of seven years. At the end of the lease term, Columbia Parachute Company has the right to renew for an additional five years. During 2017, the company filed for bankruptcy thus cancelling the lease agreement.

On March 1, 2015, Marion County entered into a non-cancellable operating lease agreement with The Training School for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lessee would pay the County \$700 per month in lease payments commencing March 1, 2015 for a term of one year. At the end of the lease term, The Training School has the right to renew for an additional year. The lease agreement ended February 28, 2017, and The Training School chose to not renew the operating lease agreement.

On March 3, 2015, Marion County entered into a non-cancellable operating lease agreement with Tru Point Tactical for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lessee would pay the County \$300 per month in lease payments commencing May 1, 2015 until October 2015, and \$411.50 per month in lease payments commencing November 2015 until April 2016 for a term of one year. At the end of the lease term, Tru Point Tactical exercised their right to renew the lease until December 2017.

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

On August 1, 2015, Marion County entered into a non-cancellable operating lease agreement with Quality Alarm Services for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lessee would pay the County \$300 per month in lease payments commencing September 1, 2015 for a term of one year. At the end of the lease term, Quality Alarm Services exercised their right to renew the lease until August 2017.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

On October 19, 2015, Marion County entered into a non-cancellable operating lease agreement with the 15th Judicial Drug Court for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lessee would pay the County \$675 per month in lease payments commencing October 19, 2015 for a term of seven years. At the end of the lease term, the 15th Judicial Drug Court has the option to renew the lease for an additional five years.

On March 1, 2016, Marion County entered into a non-cancellable operating lease agreement with Columbia Law Enforcement Training Academy (CLETA) for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lessee would pay the County \$225 per month in lease payments commencing March 1, 2016 for a term of five years. At the end of the lease term, the Columbia Law Enforcement Training Academy (CLETA) has the option to renew the lease for an additional five years.

On July 18, 2016, Marion County entered into a non-cancellable operating lease agreement with OWOC Senior & Disabled Center for the lease of a building at the Marion County Business Plex. The operating lease stipulated that the lessee would pay the County \$495 per month in lease payments commencing July 18, 2016 for a term of one year. At the end of the lease term, the OWOC Senior & Disabled Center has the option to renew the lease for an additional year. The OWOC Senior & Disabled Center exercised their right to renew the lease until July 17, 2018.

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$56,820 for the year ended September 30, 2017. The future minimum lease receivables for these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2018	\$ 48,186
2019	37,457
2020	13,075
2021	9,225
2022	8,100
2023 - 2027	<u>675</u>
Total Minimum Payments Required	<u>\$ 116,718</u>

(11) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 788,835
Less: Accumulated depreciation	<u>(143,592)</u>
Leased Property Under Capital Leases	<u>\$ 645,243</u>

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

The following is a schedule by years of the total payments due as of September 30, 2017:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 160,756	9,639
2019	123,816	6,465
2020	101,223	3,791
2021	53,029	1,976
2022	<u>54,772</u>	<u>1,019</u>
Total	<u>\$ 493,596</u>	<u>22,890</u>

(12) Defined Benefit Pension Plan.

General Information about the Pension Plan

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

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

Contributions. At September 30, 2017, 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, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$814,350, \$844,935 and \$832,882, respectively, equal to the required contributions for each year.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

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

At September 30, 2017, the County reported a liability of \$13,272,285 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017 net pension liability was 0.079841 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.002578 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$1,819,064. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 197,803	96,844
Net difference between projected and actual earnings on pension plan investments	226,686	
Changes of assumptions	309,487	23,346
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	(86,132)	328,744
County contributions subsequent to the measurement date	215,581	
Total	\$ 863,425	448,934

\$215,581 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, 2018. 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	Amount
2018	\$ 447,523
2019	37,621
2020	(29,862)
2021	(256,372)
Total	\$ 198,910

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	-
Total	<u>100.00 %</u>	

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	\$ 17,407,487	13,272,285	9,839,167

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2017

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

(13) Long-term Debt.

Debt outstanding as of September 30, 2017, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Industrial development bonds	\$ 1,110,000	5.10-5.40%	09/2024
Hospital refinancing bonds	1,730,000	3.22%	11/2021
Series 2012 Jail refunding bonds	<u>960,000</u>	1.50-2.65%	03/2023
Total General Obligation Bonds	<u>\$ 3,800,000</u>		
B. Equipment Notes:			
District 4 Road Equipment Note	\$ 20,500	2.85%	12/2018
District 2 Road Equipment Note	25,126	2.95%	12/2018
District 3 Road Equipment Note	43,929	2.90%	12/2019
District 3 Road Equipment Note	<u>33,000</u>	2.75%	06/2019
Total Equipment Notes	<u>\$ 122,555</u>		
C. Capital Leases:			
District 2 - Hydraulic Excavator	\$ 31,606	2.21%	02/2019
District 3 - John Deere Tractor	8,212	1.79%	03/2018
District 4 - John Deere Tractor	8,181	1.79%	03/2018
District 1 - (2) New Holland Tractors and Side Mowers	93,151	1.89%	11/2020
District 4 - John Deere Tractor and Cutter	33,926	1.98%	12/2020
District 1 - Tractor	32,272	1.96%	03/2021
District 2 - Massey Ferguson Tractor	44,372	2.09%	07/2021
Countywide - Mahindra Tractor/Woods Mower	15,382	2.44%	03/2022
Countywide - Weiler P265 Paver	121,630	2.31%	08/2022
District 2 - Asphalt Roller	38,500	2.74%	05/2022
(2) 2016 Chevy Tahoes	23,172	1.77%	02/2019
(2) Dodge Chargers	<u>43,192</u>	2.30%	03/2020
Total Capital Leases	<u>\$ 493,596</u>		

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2017

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
D. Other Loans:			
Railroad Authority	\$ 18,357	3.24%	03/2018
Marion County Business Plex	30,000	3.10%	05/2019
Marion County Business Plex - SMPD	39,415	3.25%	01/2023
MDA Capital Improvement	551,700	3.00%	7/1/2034 *
MDA Capital Improvement	307,757	3.00%	06/2030
District 3 - Equipment Barn	9,868	3.20%	03/2018
Road Construction	100,000	2.20%	05/2019
District 4 - Road Promissory Note	52,443	1.97%	04/2022
Courthouse Renovation	473,890	1.61%	03/2021
Total Other Loans	\$ <u>1,583,430</u>		

* Additional payments were made on this MDA loan so that it will pay out in the year 2025.

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
A. General Obligation Bonds:			
General Obligation Bonds, Series 2009	\$ 290,000	4.00-4.70%	04/2029
General Obligation Refunding Bonds, Series 2016	<u>2,115,000</u>	1.15-2.50%	04/2029
Total General Obligation Bonds	\$ <u>2,405,000</u>		
B. Limited Obligation Bonds:			
Urban Renewal Revenues Refunding Bonds - Marion/Walthall Correctional Facility	\$ <u>465,000</u>	2.50-4.00%	02/2018
C. Other Loans:			
Transfer Station	\$ <u>35,955</u>	3.24%	02/2018

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$3,555,000 in limited obligation urban renewal revenue bonds issued in 2009. Proceeds from the bonds refunded \$3,585,000 of limited obligation urban renewal revenue bonds issued in 1998, which provided financing for the construction of the Marion/Walthall Correctional Facility. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through 2018. Annual principal and interest payments on the bonds are expected to require less than 11 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$302,980. Principal and interest paid for the current year and total inmate housing net revenues were \$181,948 and \$4,452,290, respectively.

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2018	\$ 605,000	129,187
2019	625,000	108,991
2020	645,000	87,752
2021	675,000	65,366
2022	710,000	41,392
2023 - 2027	540,000	32,493
Total	\$ 3,800,000	465,181

Year Ending September 30	Equipment Notes		Other Loans	
	Principal	Interest	Principal	Interest
2018	\$ 64,367	3,070	264,702	36,112
2019	49,402	1,211	341,462	31,946
2020	8,786	130	231,569	24,172
2021			236,805	18,938
2022			115,083	13,575
2023 - 2027			316,567	28,090
2028 - 2032			77,242	3,293
Total	\$ 122,555	4,411	1,583,430	156,126

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2017

Business-type Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 170,000	54,005	465,000	9,300
2019	185,000	47,251		
2020	185,000	41,900		
2021	190,000	38,150		
2022	195,000	34,300		
2023 - 2027	1,035,000	110,038		
2028 - 2032	445,000	11,050		
Total	\$ 2,405,000	336,694	465,000	9,300

Year Ending September 30	Other Loans	
	Principal	Interest
2018	\$ 35,955	1,182

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to 3.52% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2017, \$66,150 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Reductions	Adjustments *	Balance Sept. 30, 2017	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 3,270,000		580,000	1,110,000	3,800,000	605,000
Add: Premiums			292	1,748	1,456	292
Equipment notes	186,440		63,885		122,555	64,367
Capital leases	488,813	231,706	226,923		493,596	160,756
Other loans	1,391,993	529,890	338,453		1,583,430	264,702
Total	\$ 5,337,246	761,596	1,209,553	1,111,748	6,001,037	1,095,117

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2017

	Balance Oct. 1, 2016	Additions	Reductions	Adjustments*	Balance Sept. 30, 2017	Amount due within one year
Business-type Activities:						
General obligation bonds	\$ 3,685,000		170,000	(1,110,000)	2,405,000	170,000
Limited obligation bonds	910,000		445,000		465,000	465,000
Add: Premiums	42,897		3,751	(1,748)	37,398	3,751
Other loans	70,820		34,865		35,955	35,955
Total	\$ 4,708,717	0	653,616	(1,111,748)	2,943,353	674,706

*The adjustments were made to record the correct beginning balance of debt due to a fund reclassification.

(14) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in net position at September 30, 2017:

Fund	Deficit Amount
Re-appraisal Maintenance Fund	\$ (12,284)
Marion/Walthall Correctional Facility Fund	(605,255)

(15) 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.

(16) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position (deficit) amount of \$(8,968,721) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$145,880 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, 2018. The \$364,649 balance of the deferred outflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years. The \$307,533 balance of the deferred inflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next four years.

The business-type activities' unrestricted net position (deficit) amount of \$(3,754,996) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$69,701 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, 2018.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

The \$283,195 balance of the deferred outflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years. The \$141,401 balance of the deferred inflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next four years.

The governmental activities' net investment in capital assets net position of \$27,364,800 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$26,367 of the \$536,896 balance of deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the net investment in capital assets net position over the next five years.

The business-type activities' net investment in capital assets net position of \$2,546,803 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$19,012 of the \$371,908 balance of the deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the net investment in capital assets portion over the next year.

(17) Related Organizations.

The Marion County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Columbia-Marion County Airport Authority, but the County's accountability for this organization does not extend beyond making the appointment. The County appropriated \$29,880 for the airport's support in fiscal year 2017.

The Marion County Board of Supervisors, as authorized by Sections 19-5-151 and 19-5-223, Miss. Code Ann. (1972), created the following districts to provide fire protection services to the County: Tri-Community Fire District, Southwest Marion Fire District, South Marion Fire District, Pineburr Fire District, Foxworth Fire District and Morgantown Fire District. The Board of Supervisors appoints the commissioners of each district, but the County's accountability for the districts does not extend beyond making the appointments. Each of these districts receives the avails of a one mill tax levy on the real property in the district with the Foxworth Fire District receiving the avails of a two mill tax levy. Marion County appropriated \$87,759 for the operations of the six fire districts in fiscal year 2017.

(18) Joint Venture.

The County participates in the following joint venture:

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

(19) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Marion County Board of Supervisors appoints two (2) of the sixteen (16) members of the college board of trustees. The County appropriated \$370,013 for maintenance and support of the college in fiscal year 2017.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Marion County Board of Supervisors appoints one (1) of the nine (9) members of the board of directors. The County appropriated \$67,160 for support of the district in fiscal year 2017.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Marion County Board of Supervisors appoints one (1) of the twenty-seven (27) members of the board of directors. The County provided no financial support of the district in fiscal year 2017.

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

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Marion County Board of Supervisors appoints one (1) of the nine (9) members of the board of commissioners. The County appropriated \$46,500 for support of the entity in fiscal year 2017.

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

(20) Tax Abatements.

As of September 30, 2017, Marion County provides tax exempt status to three manufacturing companies subject to the requirements of GASB Statement No.77. These manufacturing companies are exempt from real property taxes and personal property taxes except for levies involving the school, the mandatory mill and community college taxes levies. These exemptions are authorized under Sections 27-31-101 and 27-31-105 of the Miss. Code Ann. (1972). These exemptions encourage businesses to locate or expand operations in the County and to create jobs. The amount of taxes abated during fiscal year 2017 totaled \$87,587.

(21) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Marion County evaluated the activity of the County through December 18, 2019, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

Subsequent to September 30, 2017, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/06/2017	2.47%	\$ 25,000	Loan	Ad valorem taxes
12/18/2017	3.37%	102,514	Capital lease	Ad valorem taxes
12/18/2017	2.50%	600,000	Loan	Ad valorem taxes
02/20/2018	3.99%	38,041	Capital lease	Ad valorem taxes
05/07/2018	4.75%	19,223	Equipment note	Ad valorem taxes
10/26/2018	3.90%	402,000	Capital lease	Ad valorem
11/01/2018	3.125-4.25%	5,000,000	GO Bond	Ad valorem
03/21/2019	3.84%	83,908	Capital lease	Ad valorem
05/09/2019	3.89%	97,830	Capital lease	Ad valorem
05/10/2019	3.99%	60,421	Capital lease	Ad valorem
05/10/2019	4.17%	39,294	Capital lease	Ad valorem

MARION COUNTY

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MARION COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MARION COUNTY

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MARION COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2017
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 6,844,477	6,963,590	6,963,590	
Licenses, commissions and other revenue	332,119	517,633	517,633	
Fines and forfeitures	264,057	269,384	269,384	
Intergovernmental revenues	1,097,162	906,558	906,558	
Charges for services		408	408	
Interest income	14,876	15,206	15,206	
Miscellaneous revenues	412,424	287,836	287,836	
Total Revenues	<u>8,965,115</u>	<u>8,960,615</u>	<u>8,960,615</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	5,070,553	4,381,620	4,381,620	
Public safety	2,897,769	3,055,178	3,055,178	
Public works	29,880	29,880	29,880	
Health and welfare	337,682	349,195	349,195	
Culture and recreation	121,525	129,683	129,683	
Conservation of natural resources	77,004	61,357	61,357	
Economic development and assistance	263,463	263,463	263,463	
Capital projects	151,000			
Debt service:				
Principal	175,000	122,859	122,859	
Total Expenditures	<u>9,123,876</u>	<u>8,393,235</u>	<u>8,393,235</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(158,761)</u>	<u>567,380</u>	<u>567,380</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		5,083	5,083	
Transfers in	(211,600)			
Transfers out		(593,835)	(593,835)	
Other financing sources		669,932	669,932	
Other financing uses	(30,000)	(31,940)	(31,940)	
Total Other Financing Sources and Uses	<u>(241,600)</u>	<u>49,240</u>	<u>49,240</u>	<u>0</u>
Net Change in Fund Balance	(400,361)	616,620	616,620	0
Fund Balances - Beginning	<u>712,810</u>	<u>455,730</u>	<u>455,730</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 312,449</u>	<u>1,072,350</u>	<u>1,072,350</u>	<u>0</u>

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

MARION COUNTY

Schedule of the County's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.079841%	0.082419%	0.083953%
County's proportionate share of the net pension liability (asset)	\$ 13,272,285	14,722,092	12,977,478
County's covered payroll	\$ 5,121,951	5,272,527	5,287,426
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.13%	279.22%	245.44%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%

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

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

MARION COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 814,350	844,935	832,882
Contributions in relation to the contractually required contribution	<u>814,350</u>	<u>844,935</u>	<u>832,771</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>111</u>
County's covered payroll	\$ 5,170,475	5,364,665	5,287,426
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

MARION COUNTY

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MARION COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2017 UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

		<u>Governmental Fund Type</u>
		General Fund
Budget (Cash Basis)	\$	616,620
Increase (Decrease)		
Net adjustments for revenue accruals		(634,800)
Net adjustments for expenditure accruals		<u>297,412</u>
GAAP Basis	\$	<u><u>279,232</u></u>

MARION COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2017
UNAUDITED

Pension Schedules

A. Changes of assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

B. Changes in benefit provisions.

2016

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

Method and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end).

MARION COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2017
UNAUDITED

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

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

MARION COUNTY

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MARION COUNTY

OTHER INFORMATION

MARION COUNTY

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MARION COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
UNAUDITED

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

MARION COUNTY

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MARION COUNTY

SPECIAL REPORTS

MARION COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Marion County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Mississippi (the County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 18, 2019. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is 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 unit.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2017-001, 2017-003, 2017-004, and 2017-005 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2017-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2017-001.

We also noted certain matters which we have reported to the management of Marion County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated December 18, 2019, included within this document.

Marion County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 18, 2019



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Marion County, Mississippi

We have examined Marion County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2017. The Board of Supervisors of Marion County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Marion County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2017.

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

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

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 18, 2019

MARION COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2017

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

MARION COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2017

Schedule 2

Our tests did not identify any emergency purchases.

MARION COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2017

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

MARION COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Marion County, Mississippi

In planning and performing our audit of the financial statements of Marion County, Mississippi for the year ended September 30, 2017, we considered Marion County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Marion County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 18, 2019, on the financial statements of Marion County, Mississippi.

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

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

Board of Supervisors.

1. Controls over the levying of ad valorem taxes should be strengthened.

Repeat Finding No

Criteria An effective system of internal control over the levying of ad valorem taxes should include the appropriate statute granting authority to levy taxes.

Condition During testing of the tax levy, it was noted that the levy for the Joint Vocational Technical Center was erroneously authorized by law pursuant to Section 37-57-409, Miss. Code Ann. (1972), rather than Section 37-7-409, Miss. Code Ann. (1972).

Cause The County lacked the necessary controls needed to ensure that ad valorem taxes were levied appropriately according to state laws.

Effect The failure to cite the appropriate statute to authorize the levying of ad valorem taxes could result in the County having a tax levy for unauthorized purposes and/or the possibility of collecting incorrect amounts from taxpayers.

Recommendation The Board of Supervisors should cite the appropriate statute from the Mississippi Code to authorize the levying to taxes for each levy.

Views of Responsible Official(s) We will comply and correct the typographical error in FY beginning 10/1/2019.

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

Repeat Finding Yes

Criteria Section 19-3-68, Miss. Code Ann. (1972), specifies the requirements governing the use of a county credit card for travel. The Chancery Clerk or Purchase Clerk shall maintain complete records of all credit card numbers and all receipts and other documentation relating to the use of such credit cards. The supervisors and county employees shall furnish receipts for the use of such credit cards each month to the Chancery Clerk or Purchase Clerk, who shall submit a written report monthly to the Board of Supervisors. The report shall include an itemized list of all expenditures and use of the credit card for the month, and such expenditures may be allowed for payment by the County in the same manner as other items in the claims docket. Also, according the DFA manual for the State of Mississippi, Section 10.112.01 and 10.112.04(15), balances shall be paid at the receipt of the monthly statement and any county employee will be liable for any purchase that is made which is not in compliance with state statute. All purchases were made within the Marion/Walthall Correctional Facility with the Warden's approval.

Condition As reported in the prior three years' audit reports, travel charged to the credit card was not in compliance with these sections. There were no written reports itemizing expenditures made on the Marion/Walthall Correctional Facility, nor was there adequate documentation for some purchases charged on the County's credit card. Also, Marion/Walthall Correctional Facility obtained a Best Buy credit card. The purchases were not approved by the Board of Supervisors or listed on the inventory listing maintained by the County.

Cause The County lacked the necessary internal controls for collecting, recording, and disbursing cash in the Marion/Walthall Correctional Facility.

Effect Failure to enforce these requirements could result in the misuse of the credit card for unauthorized and unallowed expenditures.

Recommendation We recommend that in the future the Chancery Clerk and Purchase Clerk ensure the Warden of the Marion/Walthall Correctional Facility submits a monthly report itemizing the expenditures and use of the credit card to the Board of Supervisors, as required by state statute. In addition, we recommend the Marion/Walthall Correctional Facility close the Best Buy credit card and record the required inventory items on the fixed asset inventory listing.

Views of Responsible Official(s) Marion County Purchase Clerk will comply.

Payroll Clerk.

3. PERS Retirees should not be paid more than one-half salary of their position and the required forms should be completed for re-employment after retirement.

Repeat Finding Yes

Criteria Section 25-11-127(4)(a), Miss. Code Ann. (1972), requires retirees to receive no more than one-half of the salary in effect for the position at the time of employment in a fiscal year. Furthermore, counties hiring PERS service retirees are required to file PERS Form 4B, "Certification/Acknowledgement of Re-employment of Retiree" with the PERS office within five (5) days from the date of employment of the retiree.

Condition	As reported in the prior year's audit report, we noted that a PERS retiree was paid more than one-half of the salary for their position during the fiscal year 2017. Also, we noted that the PERS Form 4B was not completed with the proper information.
Cause	Controls were not in place to ensure compliance with state laws.
Effect	By overpaying PERS retirees and not calculating the required PERS Form 4B correctly, the County is not in compliance with the state legal requirements.
Recommendation	The County should ensure that PERS retirees are not being paid more than the allowable amount and the PERS Form 4B is completed correctly.
Views of Responsible Official(s)	We will comply.

Tax Assessor-Collector and Deputy Tax Assessors.

4.	<u>Deputy Tax Assessors should be bonded as required by state statute.</u>
Repeat Finding	No
Criteria	Section 27-1-3, Miss. Code Ann. (1972), requires that each Deputy Tax Assessor shall give bond in an amount not less than \$10,000 for the faithful discharge of his or her duties.
Condition	The Deputy Tax Assessors were not bonded for \$10,000.
Cause	The County did not comply with state laws.
Effect	Failure to comply with state law would limit the amount available for recovery if a loss occurred.
Recommendation	The County should ensure that all Deputy Tax Assessors are bonded in accordance with state law.
Views of Responsible Official(s)	We will comply.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 18, 2019

MARION COUNTY

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MARION COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MARION COUNTY

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MARION COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2017

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component unit	Adverse
General Fund	Unmodified
Marion/Walthall Correctional Facility Fund	Unmodified
Garbage and Solid Waste Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified? Yes
3. Noncompliance material to the financial statements noted? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

Material Noncompliance

2017-001.	<u>Controls over repayment of interfund loans should be strengthened.</u>
Repeat Finding	No
Criteria	The Mississippi Code is silent regarding the authority of the County to make interfund loans.
Condition	During audit test work, it was noted that the County has interfund loans outstanding that are over a year old. These interfund loans totaled \$78,873 as of September 30, 2017. These advances are comprised of unpaid indirect costs associated with the activities of the Garbage and Solid Waste Fund and the Marion/Walthall Correctional Facility Fund.
Cause	The County lacked the necessary controls to ensure that interfund loans were repaid within one year.
Effect	Failure of the Board of Supervisors to ensure payment of these loans is an illegal diversion of legally restricted funds.
Recommendation	For any interfund loan made, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of the funds for repayment. The Board of Supervisors should ensure these loans are repaid by approving and recording in the minutes a repayment schedule and complying with the repayment schedule.

MARION COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2017

**Views of Responsible
Official(s)**

This has been corrected in FY 2017-18 year.

Significant Deficiency

2017-002. Internal controls over the receipting of revenue should be strengthened.

Repeat Finding No

Criteria An effective system of internal control over accounting records should include an accurate receipting of revenue into the County's financial system.

Condition During the audit, it was noted that the County recorded revenue into incorrect object codes which resulted in the need for reclassification.

Cause The County did not possess the necessary internal controls to ensure the accurate recording of revenues into the correct object codes.

Effect Failure to receipt revenues into the correct object codes could result in inaccurate amounts being reported in the financials.

Recommendation The Board of Supervisors should ensure that control procedures are in place for the accurate receipting of revenues into the financial statements.

**Views of Responsible
Official(s)**

We will comply.

Board of Supervisors and Marion/Walthall Correctional Facility.

Material Weakness

2017-003. Internal controls in the Marion/Walthall Correctional Facility should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal control for collecting, recording, and disbursing cash in the Marion/Walthall Correctional Facility should include adequate separation of duties.

Condition As reported in the prior two years' audit reports, it was noted during the testing and review of the Marion/Walthall Correctional Facility that the same person performs the following functions:

- a. Receipts and processes bond fees.
- b. Prepares bank deposits and takes deposits to the bank.
- c. Posts receipts to the cash journal.
- d. Writes and signs checks.
- e. Prepares the bank reconciliation.
- f. Prepares the monthly settlement of fees to the County.

Cause The County lacked the necessary internal controls over the collecting, recording, and disbursing of cash in the Marion/Walthall Correctional Facility.

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

MARION COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2017

Recommendation The Sheriff should implement effective internal controls over the collecting, recording, and disbursing of cash, as well as ensure there are adequate separation of duties.

Views of Responsible Official(s) We will comply.

Material Weakness

2017-004. Internal controls over the inmate canteen and inmate welfare fund should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal controls over the inmate canteen and inmate welfare funds should include an adequate separation of duties and the maintenance and reconciliation of records documenting revenue collections.

Condition As reported in the prior two years' audit reports, during the testing of the inmate canteen and inmate welfare funds, the following deficiencies were noted:

- a. The duties of the tactical officer include receipting inmate canteen monies, preparing deposits for the inmate canteen account, reconciling the cash journal to the bank statements, preparing settlements of commissions received, and disbursing funds. The work of the tactical officer was not reviewed by another person.
- b. All commissions received were not settled to the County in a timely manner.
- c. Expenses in the Inmate Welfare Fund did not flow through the County's central purchasing system and were not approved by the Board of Supervisors.
- d. Some cash funds disbursed to inmates were not signed by the inmates or lacked documentation for the disbursements.
- e. Checks were written to petty cash or cash, instead of the inmate themselves.

Cause The County lacked the necessary internal controls over the inmate canteen and inmate welfare funds.

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

Recommendation The Sheriff should monitor the collecting, recording, and settlement functions and ensure expenses are approved by the Board of Supervisors and flow through the County's central purchasing system.

Views of Responsible Official(s) We will comply

Board of Supervisors and Solid Waste.

Material Weakness

2017-005. Controls over solid waste collections should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal control over solid waste collections should include management's approval of all solid waste accounts receivable adjustments, and the dollar amount of each should be approved.

MARION COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2017

Condition	As reported in the prior year's audit report, we noted that management did not approve all solid waste accounts receivable adjustments in the amount of \$60,351.
Cause	There were no effective internal controls over solid waste accounts receivable adjustments.
Effect	Failure to properly approve solid waste accounts receivable adjustments could result in the loss or misappropriation of public funds.
Recommendation	The Solid Waste Clerk should submit all solid waste adjustments for approval by the Board of Supervisors and ensure that the dollar amounts for each adjustment are documented and spread across the board minutes.
Views of Responsible Official(s)	This repeated finding was found in FY 2015-2016 year and has been corrected during the FY 2016–2017 year.