



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

MARSHALL COUNTY, MISSISSIPPI

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

MARSHALL COUNTY

Contents

	<u>Page</u>
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	3
Statement of Net Position	4
Statement of Activities	5
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Fiduciary Assets and Liabilities	10
Notes to Financial Statements	11
REQUIRED SUPPLEMENTARY INFORMATION	29
Budgetary Comparison Schedules – Budget and Actual (Non-GAAP Basis)	
General Fund	30
Road Maintenance Fund	31
Marshall County Engineering Fund	32
Schedule of the County's Proportionate Share of the Net Pension Liability	33
Schedule of County Contributions	34
Notes to Required Supplementary Information	35
OTHER INFORMATION	37
Schedule of Surety Bonds for County Officials	38
SPECIAL REPORTS	39
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Independent Accountants' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	42
Limited Internal Control and Compliance Review Management Report	46
SCHEDULE OF FINDINGS AND RESPONSES	48

FINANCIAL SECTION



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

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

INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
Marshall County, Mississippi

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

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

Adverse Opinion

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

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

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 June 13, 2019, on our consideration of Marshall County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Marshall County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Marshall County, Mississippi's internal control over financial reporting and compliance.

Eupora, Mississippi
June 13, 2019

Watkins Ward and Stafford, PLLC

FINANCIAL STATEMENTS

MARSHALL COUNTY
Statement of Net Position
September 30, 2017

	Primary Government Governmental Activities
ASSETS	
Cash and investments	\$ 10,331,984
Accrued interest receivable	28
Property tax receivable	12,510,271
Accounts receivable (net of allowance for uncollectibles of \$583,077)	9,765
Fines receivable (net of allowance for uncollectibles of \$1,774,568)	434,986
Intergovernmental receivables	343,223
Other receivables	57,334
Capital assets:	
Land and construction in progress	1,217,340
Other capital assets, net	61,335,284
Total Assets	<u>86,240,215</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	3,017,363
Total Deferred Outflows of Resources	<u>3,017,363</u>
LIABILITIES	
Claims payable	385,208
Intergovernmental payables	353,072
Accrued interest payable	83,735
Other payables	298,496
Long-term liabilities:	
Net pension liability	17,945,951
Due within one year:	
Capital debt	413,642
Non-capital debt	273,453
Due in more than one year:	
Capital debt	1,044,016
Non-capital debt	5,836,679
Total Liabilities	<u>26,634,252</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,665,232
Property tax for future reporting period	12,510,271
Total Deferred Inflows of Resources	<u>14,175,503</u>
NET POSITION	
Net investment in capital assets	61,094,966
Restricted for:	
Expendable:	
General Government	714
Debt service	796,653
Public safety	805,064
Public works	3,217,717
Culture and recreation	2,057
Economic development	39,313
Unrestricted	(17,508,661)
Total Net Position	<u>\$ 48,447,823</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 6,625,900	1,027,532	1,223		(5,597,145)
Public safety	5,754,719	494,328	357,382		(4,903,009)
Public works	6,541,695		966,864	521,737	(5,053,094)
Health and welfare	845,589		44,661		(800,928)
Culture and recreation	326,408				(326,408)
Education	276,393				(276,393)
Conservation of natural resources	99,334				(99,334)
Economic development and assistance	825,219		407,274		(417,945)
Interest on long-term debt	190,868				(190,868)
Pension expense	2,691,100				(2,691,100)
Total Governmental Activities	<u>24,177,225</u>	<u>1,521,860</u>	<u>1,777,404</u>	<u>521,737</u>	<u>(20,356,224)</u>
General revenues:					
Property taxes				\$	16,604,123
Road and bridge privilege taxes					471,445
Grants and contributions not restricted to specific programs					2,353,553
Unrestricted interest income					150,312
Miscellaneous					338,353
Total General Revenues					<u>19,917,786</u>
Changes in Net Position					<u>(438,438)</u>
Net Position - Beginning, as previously reported					51,177,680
Prior Period Adjustment					<u>(2,291,419)</u>
Net Position - Beginning, as restated					<u>48,886,261</u>
Net Position - Ending				\$	<u><u>48,447,823</u></u>

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

MARSHALL COUNTY
Balance Sheet – Governmental Funds
September 30, 2017

	Major Funds				
	General Fund	Road Maintenance Fund	Marshall County Engineering Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 5,503,341	3,087,384	9,673	1,731,586	10,331,984
Accrued interest receivable	28	-	-	-	28
Property tax receivable	8,245,210	3,662,136	-	602,925	12,510,271
Accounts Receivable (net of allowance for uncollectibles of \$591,841)	9,765	-	-	-	9,765
Fines receivable (net of allowance for uncollectibles of \$1,634,233)	434,986	-	-	-	434,986
Intergovernmental receivables	228,423	112,523	-	2,277	343,223
Other receivables	25,852	-	-	31,482	57,334
Due from other funds	-	110,082	-	10,645	120,727
Total Assets	<u>\$ 14,447,605</u>	<u>6,972,125</u>	<u>9,673</u>	<u>2,378,915</u>	<u>23,808,318</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 234,809	101,946	-	48,453	385,208
Intergovernmental payables	353,072	-	-	-	353,072
Due to other funds	120,727	-	-	-	120,727
Other payables	298,496	-	-	-	298,496
Total Liabilities	<u>1,007,104</u>	<u>101,946</u>	<u>-</u>	<u>48,453</u>	<u>1,157,503</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	8,245,210	3,662,136	-	602,925	12,510,271
Unavailable revenue - accounts receivable	9,765	-	-	-	9,765
Unavailable revenue - fines	434,986	-	-	-	434,986
Total Deferred Inflows of Resources	<u>8,689,961</u>	<u>3,662,136</u>	<u>-</u>	<u>602,925</u>	<u>12,955,022</u>
Fund balances:					
Restricted for:					
General government	-	-	-	714	714
Public safety	-	-	-	805,064	805,064
Public works	-	3,208,043	9,673	1	3,217,717
Culture and recreation	-	-	-	2,057	2,057
Economic development	-	-	-	39,313	39,313
Debt service	-	-	-	880,388	880,388
Unassigned	4,750,540	-	-	-	4,750,540
Total Fund Balances	<u>4,750,540</u>	<u>3,208,043</u>	<u>9,673</u>	<u>1,727,537</u>	<u>9,695,793</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 14,447,605</u>	<u>6,972,125</u>	<u>9,673</u>	<u>2,378,915</u>	<u>23,808,318</u>

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

MARSHALL COUNTY
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2017

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,695,793
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 \$85,813,527.	62,552,624
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	434,986
Accounts receivable	9,765
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,567,790)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(17,945,951)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(83,735)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	3,017,363
Deferred inflows of resources related to pensions	<u>(1,665,232)</u>
Total Net Position - Governmental Activities	\$ <u><u>48,447,823</u></u>

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

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

	Major Funds			Other	Total
	General	Road	Marshall County	Governmental	Governmental
	Fund	Maintenance	Engineering	Funds	Funds
		Fund	Fund		
REVENUES					
Property taxes	\$ 11,105,633	4,674,906	-	823,584	16,604,123
Road and bridge privilege taxes	-	471,445	-	-	471,445
Licenses, commissions and other revenue	855,751	5,399	-	6,741	867,891
Fines and forfeitures	198,900	-	-	74,177	273,077
Intergovernmental revenues	2,550,740	962,922	494,116	644,916	4,652,694
Charges for services	33,343	-	-	330,371	363,714
Interest income	100,296	31,467	-	18,549	150,312
Miscellaneous revenues	253,911	26,563	-	57,354	337,828
Total Revenues	<u>15,098,574</u>	<u>6,172,702</u>	<u>494,116</u>	<u>1,955,692</u>	<u>23,721,084</u>
EXPENDITURES					
Current:					
General government	6,852,425	-	-	16,875	6,869,300
Public safety	4,563,983	-	-	1,389,453	5,953,436
Public works	189,421	5,415,598	496,677	-	6,101,696
Health and welfare	856,727	-	-	-	856,727
Culture and recreation	178,717	-	-	147,691	326,408
Education	276,393	-	-	-	276,393
Conservation of natural resources	105,663	-	-	-	105,663
Economic development and assistance	467,774	-	-	379,239	847,013
Debt service:					
Principal	411,554	166,528	-	469,947	1,048,029
Interest	162,827	10,642	-	22,240	195,709
Total Expenditures	<u>14,065,484</u>	<u>5,592,768</u>	<u>496,677</u>	<u>2,425,445</u>	<u>22,580,374</u>
Excess of Revenues over (under) Expenditures	<u>1,033,090</u>	<u>579,934</u>	<u>(2,561)</u>	<u>(469,753)</u>	<u>1,140,710</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	30,587	-	-	78,694	109,281
Long-term non-capital debt issued	1,000,000	-	-	-	1,000,000
Proceeds from sale of capital assets	4,500	-	-	-	4,500
Transfers in	-	-	-	449,215	449,215
Transfers out	(449,215)	-	-	-	(449,215)
Total Other Financing Sources and Uses	<u>585,872</u>	<u>-</u>	<u>-</u>	<u>527,909</u>	<u>1,113,781</u>
Net Changes in Fund Balances	<u>1,618,962</u>	<u>579,934</u>	<u>(2,561)</u>	<u>58,156</u>	<u>2,254,491</u>
Fund Balances - Beginning	<u>3,131,578</u>	<u>2,628,109</u>	<u>12,234</u>	<u>1,669,381</u>	<u>7,441,302</u>
Fund Balances - Ending	<u>\$ 4,750,540</u>	<u>3,208,043</u>	<u>9,673</u>	<u>1,727,537</u>	<u>9,695,793</u>

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

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 2,254,491
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 \$2,127,102 exceeded capital outlays of \$1,065,599 in the current period.	(1,061,503)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount that proceeds from sale of capital assets of \$4,500 exceeded the net gain of \$525.	(3,975)
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.	11,327
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	5,851
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$1,109,281 exceeded debt repayments of \$1,048,029.	(61,252)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by the following:	
Increase in compensated absences	(4,411)
Decrease in accrued interest payable	4,841
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current year	(2,691,100)
Recording of contributions made for the current fiscal year	<u>1,107,293</u>
Change in Net Position of Governmental Activities	\$ <u><u>(438,438)</u></u>

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

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

	Agency Funds
ASSETS	
Cash	\$ 16,746
Other receivables	8,394
Total Assets	<u>\$ 25,140</u>
LIABILITIES	
Intergovernmental payables	\$ 8,394
Other payables	16,746
Total Liabilities	<u>\$ 25,140</u>

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies

a. Financial Reporting Entity

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

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

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

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

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

b. Basis of Presentation

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

Government-wide Financial Statements:

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

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

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

c. Measurement Focus and Basis of Accounting

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

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

The county reports the following major governmental funds:

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

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

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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

FIDUCIARY FUND TYPE

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

d. Account Classifications

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

e. Deposits and Investments

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

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

f. Receivables

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

g. Interfund Transactions and Balances

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

h. Capital Assets

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

i. Deferred Outflows/Inflows of Resources

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

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

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

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

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

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

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

j. Pensions

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

k. Long-Term Liabilities

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

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

l. Equity Classifications

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Fund Balance Flow Assumption:

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

m. Property Tax Revenues

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

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

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

n. Intergovernmental Revenues in Governmental Funds

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

o. Compensated Absences

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

p. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, Tax Abatement Disclosures and GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73. The provisions of these standards have been incorporated into the financial statements and notes.

Note 2: Prior Period Adjustment

A summary of the significant Net Position adjustment is as follows:

Statement of Activities

Explanation	Amount
Error in calculation of prior year construction in progress	\$ (2,291,419)
Total prior period adjustment	\$ <u>(2,291,419)</u>

Note 3: Deposits and Investments

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2017, was \$10,348,730 (which includes \$502,997 of certificates of deposits with original maturities beyond three months), and the bank balance was \$11,321,163. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 3: Deposits and Investments (Continued)

Investments:

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of Deposit	Less than 1 year	\$ <u>502,997</u>	<u>502,997</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. Of the County's investment, \$502,997 were insured by securities pledged to the State Treasurer by that institution to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Note 4: Interfund Transactions and Balances

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

a. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Maintenance Fund	General Fund	\$ 110,082
Other Governmental Funds	General Fund	10,645
Total		\$ <u>120,727</u>

The amount payable to the General Fund represents a temporary loan to cover grant expenses. The amounts payable to the Road Maintenance Fund and Other Governmental Funds represent tax revenue, circuit court revenue, and justice court revenue collected in September 2017 but not settled until October 2017.

b. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ <u>499,215</u>

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 5: Intergovernmental Receivables

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

Description	Amount
DOJ reimbursement	\$ 3,060
Flood control grant	22,593
Food stamp reimbursement	10,336
Legislative tag credit	156,225
MEMA reimbursement	31,271
Motor vehicle taxes and licenses	89,857
Other	1,870
Reimbursement for court reporter supplies	1,708
Reimbursement for housing prisoners	760
Sheriff fees	21,010
Tax release redemption	4,533
Total	<u>\$ 343,223</u>

Note 6: Capital Assets

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

	Balance 10/1/2016	Additions	Deletions	Adjustments*	Balance 9/30/2017
Non-depreciable capital assets:					
Land	\$ 681,339	-	2,000	-	679,339
Construction in progress	3,110,577	271,120		(2,843,696)	538,001
Total non-depreciable capital assets	<u>3,791,916</u>	<u>271,120</u>	<u>2,000</u>	<u>(2,843,696)</u>	<u>1,217,340</u>
Depreciable capital assets:					
Infrastructure	124,707,904	495,995	-	552,277	125,756,176
Buildings	8,794,242	-	-	-	8,794,242
Mobile equipment	8,832,603	122,979	-	346,807	9,302,389
Furniture and equipment	1,086,840	66,224	134,039	-	1,019,025
Leased property under capital leases	2,514,505	109,281	-	(346,807)	2,276,979
Total depreciable capital assets	<u>145,936,094</u>	<u>794,479</u>	<u>134,039</u>	<u>552,277</u>	<u>147,148,811</u>
Less accumulated depreciation for:					
Infrastructure	71,131,036	1,249,342	-	-	72,380,378
Buildings	4,030,800	149,034	-	-	4,179,834
Mobile equipment	7,211,770	379,552	-	124,912	7,716,234
Furniture and equipment	855,354	57,174	132,064	-	780,464
Leased property under capital leases	589,529	292,000	-	(124,912)	756,617
Total accumulated depreciation	<u>83,818,489</u>	<u>2,127,102</u>	<u>132,064</u>	<u>-</u>	<u>85,813,527</u>
Total depreciable capital assets, net	<u>62,117,605</u>	<u>(1,332,623)</u>	<u>1,975</u>	<u>552,277</u>	<u>61,335,284</u>
Governmental activities capital assets, net	<u>\$ 65,909,521</u>	<u>(1,061,503)</u>	<u>3,975</u>	<u>(2,291,419)</u>	<u>62,552,624</u>

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 6: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 203,579
Public safety	446,416
Public works	<u>1,477,107</u>
Total governmental activities depreciation expense	<u><u>\$ 2,127,102</u></u>

Commitments with respect to unfinished capital projects at September 30, 2017, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
LSBP-47(16)	41,924	10/2017
R117-053	-	10/2017

Note 7: Claims and Judgments

Risk Financing

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

Note 8: Capital Leases

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Building	\$ 780,000
Mobile equipment	<u>1,496,979</u>
Total	2,276,979
Less: Accumulated depreciation	<u>(756,617)</u>
Leased property under capital leases	<u><u>\$ 1,520,362</u></u>

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 8: Capital Leases (Continued)

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 413,642	35,483
2019	344,887	25,947
2020	259,740	18,066
2021	212,517	11,049
2022	68,609	7,392
2023 - 2027	158,263	10,340
Total	<u>\$ 1,457,658</u>	<u>108,277</u>

Note 9: Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 9: Defined Benefit Pension Plan (Continued)

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 fiscal years ending September 30, 2017, 2016, and 2015 were \$1,107,293, \$1,050,218, and \$1,036,636, respectively, equal to the required contributions for each year.

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

At September 30, 2017, the County reported a liability of \$17,945,951 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 .107956 percent, which was based on a measurement date of June 30, 2017. This was an increase of .004376 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 \$2,691,100. 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 at 9/30/17	Deferred Inflows of Resources at 9/30/17
Differences between expected and actual experience	\$ 247,918	\$ 130,946
Net difference between projected and actual earnings on pension plan investments	1,568,856	1,386,600
Changes of assumptions	386,489	29,340
Changes in proportion and differences between county contributions and proportionate share of contributions	534,863	118,346
County contributions subsequent to the measurement date	279,237	-
Total	<u>\$ 3,017,363</u>	<u>\$ 1,665,232</u>

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 9: Defined Benefit Pension Plan (Continued)

\$279,237 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:	
2018	\$ 874,201
2019	460,568
2020	84,775
2021	(346,650)
Total	\$ <u>1,072,894</u>

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	3.75 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 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 Location	Long-Term Expected Real Rate of Return	
U.S. Broad	27.00 %	4.60	%
International Equity	18.00	4.50	
Emerging Markets Equity	4.00	4.75	
Global	12.00	4.75	
Fixed Income	18.00	0.75	
Real Assets	10.00	3.50	
Private Equity	8.00	5.10	
Emerging Debt	2.00	2.25	
Cash	1.00	-	
Total	<u>100.00 %</u>		

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 9: Defined Benefit Pension Plan (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 23,537,313	\$ 17,945,951	\$ 14,169,652

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 10: 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 Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
a. Capital Leases:			
Ford F-250	\$ 3,370	1.94%	2/2018
Ford F-250	5,703	1.94%	4/2018
Ford F-150, Chevy truck, 2 Dodge Chargers	25,973	1.94%	5/2018
2 Ford Taurus, Ford F-150, Dodge Charger	34,183	1.69%	8/2018
Caterpillar asphalt compactor	57,178	1.91%	2/2019
Ford F-250	14,658	2.01%	4/2019
4 Bush Hog cutters	16,294	2.01%	5/2019
Chevrolet Pursuit Tahoe	21,607	1.51%	7/2019
Ford F-150	26,677	2.00%	9/2019
3 Dodge Chargers	57,289	1.93%	11/2019
Ford Transit van	25,617	2.03%	3/2020
4 Caterpillar backhoe loaders	335,222	2.07%	5/2021
E-911 system upgrade	297,145	2.19%	6/2021
Miller building	134,927	5.25%	3/2022
Buford building	159,242	3.94%	1/2024
County office complex building	<u>242,573</u>	3.25%	1/2027
Total Capital Leases	<u>\$ 1,457,658</u>		
b. Other Loans:			
MS Development Authority - CAP loan	\$ 250,138	3.00%	*
NMCC Settlement	900,000	0.00%	3/2031
MS Development Authority - Roxul loan	<u>4,350,123</u>	3.00%	3/2036
Total Other Loans	<u>\$ 5,500,261</u>		

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

Marshall County
Notes to Financial Statements
September 30, 2017

Note 10: Long-term Debt (Continued)

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

<u>Year Ending September 30,</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 273,453	130,698
2019	325,732	133,103
2020	332,523	126,312
2021	339,520	119,315
2022	346,726	112,109
2023 - 2027	1,520,629	454,810
2028 - 2032	1,237,594	283,161
2033 - 2037	1,124,084	92,521
Total	<u>\$ 5,500,261</u>	<u>1,452,029</u>

Legal Debt Margin - The amount of debt, excluding specific exempt debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a County issues bonds to repair washed out or collapsed bridges on the public roads of the county. As of September 30, 2017, the amount of outstanding debt was equal to 1.11% of the latest property assessments.

Commitments - On October 6, 2008, the Marshall County Board of Supervisors entered into an agreement with the City of Holly Springs relating to the financing for the construction of infrastructure for the Holly Springs Commons. The county's share is limited to 50% of the revenues of the tax increment financing or 50% of the bond payment, whichever is less. The principal balance remaining on these bonds is \$54,000 at September 30, 2017. Amounts due in the next fiscal year for principal and interest are \$26,000 and \$1,907, respectively.

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

	<u>Balance</u> <u>10/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>9/30/2017</u>	<u>Amount due</u> <u>within one year</u>
Governmental Activities:						
Compensated absences	\$ 605,460	15,268	10,857	-	609,871	
General obligation bonds	335,000	-	335,000	-	-	
Capital leases	1,793,005	109,281	444,628	-	1,457,658	413,642
Other loans	4,768,662	1,000,000	268,401	-	5,500,261	273,453
Total	<u>\$ 7,502,127</u>	<u>1,124,549</u>	<u>1,058,886</u>	<u>-</u>	<u>7,567,790</u>	<u>687,095</u>

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

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 11: Contingencies

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

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

Note 12: Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of \$(17,508,661) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$279,237 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 \$2,738,126 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years. The \$1,665,232 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next four years.

The governmental activities' net position amount includes the effect of recognition of deferring the recognition of revenue resulting from property tax receivable. The \$12,510,271 balance of deferred inflows of resources from property tax for future reporting period at September 30, 2017, will be recognized as revenue in the next fiscal year.

Note 13: Joint Ventures

The county participates in the following joint venture:

Marshall County is a participant with the City of Holly Springs in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Marshall County-Holly Springs Airport Authority. The joint venture was created to provide a governing authority for the airport facilities in Marshall County and is governed by a five-member board of commissioners. The board of commissioners is appointed as follows: Marshall County, two; City of Holly Springs, two; joint, one. The county appropriated \$55,045 for the joint venture in fiscal year 2017.

MARSHALL COUNTY
Notes to Financial Statements
September 30, 2017

Note 14: Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Communicare operates in a district composed of the Counties of Calhoun, Lafayette, Marshall, Panola, Tate and Yalobusha. The Marshall County Board of Supervisors appoints one of the six members of the board of commissioners. The county appropriated \$46,819 for Communicare in fiscal year 2017.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Marshall County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$688,830 for maintenance and support of the college in fiscal year 2017.

Northeast Mississippi Planning and Development District is composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Marshall County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$53,000 for support of Northeast Mississippi Planning and Development District in fiscal year 2017.

Note 15: Tax Abatements

As of September 30, 2017, Marshall County provides tax exempt status to fifteen manufacturing companies subject to the requirements of GASB Statement No. 77. These companies are exempt from real property taxes and personal property taxes except for levies involving the school, the mandatory mill, community college tax levies, and police/fire protection levies. These exemptions are authorized under Sections 27-31-101 and 27-31-105 of the Mississippi Code Annotated (1972). These exemptions encourage businesses to locate or expand operations in the County and to create new jobs. The amount of taxes abated during fiscal year 2017 totaled \$1,787,021.

Note 16: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Marshall County evaluated the activity of the County through June 13, 2019, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/15/2017	2.19%	\$ 291,622	Lease purchase	Ad valorem taxes
10/15/2017	2.29%	\$ 175,886	Lease purchase	Ad valorem taxes
10/30/2017	3.25%	\$ 6,000,000	General Obligation Bonds	Ad valorem taxes
7/30/2018	3.33%	\$ 386,510	Lease purchase	Ad valorem taxes

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 11,413,175	11,413,175	11,084,439	(328,736)
Licenses, commissions and other revenue	736,525	736,525	825,841	89,316
Fines and forfeitures	266,500	266,500	196,376	(70,124)
Intergovernmental revenues	888,000	888,000	2,020,419	1,132,419
Charges for services	41,500	41,500	32,203	(9,297)
Interest income	42,100	42,100	89,979	47,879
Miscellaneous revenues	54,000	54,000	255,920	201,920
Total Revenues	<u>13,441,800</u>	<u>13,441,800</u>	<u>14,505,177</u>	<u>1,063,377</u>
EXPENDITURES				
Current:				
General government	6,559,846	6,482,049	5,831,986	650,063
Public safety	4,960,598	4,960,598	4,639,442	321,156
Public works	221,541	221,541	190,365	31,176
Health and welfare	951,036	951,036	858,055	92,981
Culture and recreation	178,834	202,171	201,728	443
Education	46,851	276,851	276,393	458
Conservation of natural resources	155,036	155,036	105,488	49,548
Economic development and assistance	484,047	484,047	467,756	16,291
Total Expenditures	<u>13,557,789</u>	<u>13,733,329</u>	<u>12,571,213</u>	<u>1,162,116</u>
Excess of Revenues over (under) Expenditures	<u>(115,989)</u>	<u>(291,529)</u>	<u>1,933,964</u>	<u>2,225,493</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets	-	-	5,000	5,000
Transfers in	61,665	61,665	-	(61,665)
Transfers out	<u>(494,046)</u>	<u>(494,096)</u>	<u>(281,115)</u>	<u>212,981</u>
Total Other Financing Sources and Uses	<u>(432,381)</u>	<u>(432,431)</u>	<u>(276,115)</u>	<u>156,316</u>
Net Change in Fund Balance	<u>(548,370)</u>	<u>(723,960)</u>	<u>1,657,849</u>	<u>2,381,809</u>
Fund Balances - Beginning	<u>2,741,205</u>	<u>2,741,205</u>	<u>3,021,178</u>	<u>279,973</u>
Fund Balances - Ending	<u>\$ 2,192,835</u>	<u>2,017,245</u>	<u>4,679,027</u>	<u>2,661,782</u>

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

MARSHALL COUNTY
 Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
 Road Maintenance Fund
 For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,648,648	3,648,648	4,672,174	1,023,526
Road and bridge privilege taxes	504,163	504,163	471,356	(32,807)
Licenses, commissions and other revenues	10,000	10,000	6,422	(3,578)
Intergovernmental revenues	970,000	970,000	948,879	(21,121)
Interest income	17,000	17,000	31,467	14,467
Miscellaneous revenues	40,100	40,100	3,970	(36,130)
Total Revenues	<u>5,189,911</u>	<u>5,189,911</u>	<u>6,134,268</u>	<u>944,357</u>
EXPENDITURES				
Current:				
Public works	<u>6,617,855</u>	<u>6,617,855</u>	<u>5,390,040</u>	<u>1,227,815</u>
Total Expenditures	<u>6,617,855</u>	<u>6,617,855</u>	<u>5,390,040</u>	<u>1,227,815</u>
Excess of Revenues over (under) Expenditures	<u>(1,427,944)</u>	<u>(1,427,944)</u>	<u>744,228</u>	<u>2,172,172</u>
Net Change in Fund Balance	<u>(1,427,944)</u>	<u>(1,427,944)</u>	<u>744,228</u>	<u>2,172,172</u>
Fund Balances - Beginning	<u>2,276,207</u>	<u>2,276,207</u>	<u>2,332,252</u>	<u>56,045</u>
Fund Balances - Ending	<u>\$ 848,263</u>	<u>848,263</u>	<u>3,076,480</u>	<u>2,228,217</u>

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

MARSHALL COUNTY
 Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis)
 Marshall County Engineering Fund
 For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 200,000	200,000	49,477	(150,523)
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>49,477</u>	<u>(150,523)</u>
EXPENDITURES				
Current:				
Economic development	200,000	200,000	39,804	160,196
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>39,804</u>	<u>160,196</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>-</u>	<u>9,673</u>	<u>9,673</u>
Net Change in Fund Balance	-	-	9,673	9,673
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>-</u>	<u>9,673</u>	<u>9,673</u>

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of net pension liability	\$ 17,945,951	\$ 18,501,974	\$ 16,144,983	\$ 12,912,706
County's proportionate share of the net pension liability	0.107956%	0.103580%	0.104444%	0.106381%
County's covered payroll	\$ 6,925,414	\$ 6,626,219	\$ 6,525,083	\$ 6,500,406
County's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

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

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

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

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

MARSHALL COUNTY
Notes to Required Supplementary Information
September 30, 2017

Budgetary Comparison Schedule

1. Budgetary Information

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

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

2. Basis of Presentation

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

3. Budget/GAAP Reconciliation

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

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	General Fund	Road Maintenance Fund	Marshall County Engineering Fund
Budget (Cash Basis)	\$ 1,657,849	744,228	9,673
Increase (Decrease)			
Net adjustments for revenue accruals	592,897	38,434	444,639
Net adjustments for expenditure accruals	(1,662,371)	(202,728)	(456,873)
Adjustment for long-term debt issued	1,030,587	-	-
GAAP Basis	\$ <u>1,618,962</u>	<u>579,934</u>	<u>(2,561)</u>

MARSHALL COUNTY
Notes to Required Supplementary Information
September 30, 2017

4. Pension Schedules

1. Changes of assumptions

2015

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

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

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

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

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

2016

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

2017

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

The wage inflation assumption was reduced from 3.75% to 3.25%

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

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

2. Changes in benefit provisions

2016

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

OTHER INFORMATION

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

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

SPECIAL REPORTS



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

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

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

Members of the Board of Supervisors
Marshall County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, (the County) as of and for the year ended September 30, 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 June 13, 2019. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit,

and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters which we have reported to the management of Marshall County, Mississippi, in the Independent Accountants' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 13, 2019, included within this document.

Marshall County, Mississippi's Response to Findings

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

Purpose of this Report

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

Eupora, Mississippi
June 13, 2019

Watkins Ward and Stafford, PLLC



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

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

Members of the Board of Supervisors
Marshall County, Mississippi

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

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

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

In our opinion, Marshall County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 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 of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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

Eupora, Mississippi
June 13, 2019

Watkins Ward and Stafford, PLLC

MARSHALL COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2017

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

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

Our test results did not identify any emergency purchases.

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

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



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Marshall County, Mississippi

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

In addition, for areas not considered material to Marshall County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 13, 2019, on the financial statements of Marshall County, Mississippi.

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

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

Board of Supervisors and Chancery Clerk

1.	<u>Controls over settlement of court assessments should be strengthened</u>
Repeat Finding	No
Criteria	Section 99-19-73(b) requires court assessments to be submitted on a monthly basis.
Condition	Court settlements for three months were settled late.
Cause	The County failed to settle court assessments monthly.
Effect	Failure to settle court assessments on a monthly basis is a violation of state law.
Recommendation	The Chancery Clerk should settle court assessments on a monthly basis.
Views of Responsible Official(s)	The Chancery Clerk has since paid all court assessments. Future court assessments will be settled on a monthly basis.

Board of Supervisors and Circuit Clerk

2. The Circuit Clerk should file the Annual Report and settle with the County by April 15

Repeat Finding Yes

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

Condition The Circuit Clerk was late filing her Annual Report and settling funds with the County.

Cause The Circuit Clerk failed to file her Annual Report and settle funds to the County by April 15, 2018.

Effect Failure of a Circuit Clerk to file an Annual Report and settle funds to the County by April 15 is a violation of state law.

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

Views of Responsible Official(s) The Circuit Clerk will make every effort to comply with state statutes.

Board of Supervisors and Sheriff

3. The County should only approve payments for compensatory leave for the Sheriff's department employees that are allowed by the personnel policy

Repeat Finding Yes

Criteria The Sheriff's personnel policy states that compensatory leave is to be paid to employees upon termination of employment. Furthermore, all compensatory time used during employment is to be used as paid time off.

Condition Compensation for compensatory time was paid to current Sheriff's department employees during the 2017 fiscal year.

Cause The County failed to follow the Sheriff's personnel policy and paid current Sheriff's department employees for compensatory time.

Effect Failure to follow the Sheriff's personnel policy caused a loss of public funds.

Recommendation The County follow the Sheriff's personnel policy.

View of Responsible Official(s) Procedures for compensatory time outlined in the Sheriff personnel policy will be used for payment of comp time.

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

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

Eupora, Mississippi
June 13, 2019

Watkins Ward and Stafford, PLLC

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

Section 1: Summary of Auditors' Results

Financial Statements:

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

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

2. Internal control over financial reporting:

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

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

2017-001. Component units should be included in the financial statements

Repeat Finding Yes

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

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

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

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

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

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

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

Justice Court Clerk

Material Weakness

2017-002. Segregation of duties in the Justice Court Clerk's office should be strengthened

Repeat Finding Yes

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

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

Cause The Justice Court Clerk has access to collections, prepares and makes bank deposits, prepares daily check-up sheets, reconciles the bank statements, posts the cash journal, makes monthly settlements and writes checks for all disbursements.

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

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

Views of Responsible Official(s) The Justice Court Clerk will work to improve internal controls in the Justice Court Clerk's office.