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**MARSHALL COUNTY**  
**AUDITED FINANCIAL STATEMENTS**  
**AND SPECIAL REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**



MARSHALL COUNTY  
Holly Springs, Mississippi  
Audited Financial Statements and Special Reports  
September 30, 2007

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**FINANCIAL SECTION**



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**INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTAL INFORMATION**

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, as of and for the year ended September 30, 2007, which collectively compromise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Marshall County, Mississippi, as of September 30, 2007, or the changes in financial position thereof for the year then ended.

In addition, 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, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2008, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audit.

Marshall County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Eupora, Mississippi  
September 12, 2008

*Watkins, Ward and Stafford, PLLC*

**BASIC FINANCIAL STATEMENTS**

MARSHALL COUNTY  
Holly Springs, Mississippi  
Statement of Net Assets  
September 30, 2007

Exhibit 1

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 4,855,555
Accrued interest receivable	20,179
Property tax receivable	12,780,994
Fines receivable, net	351,934
Loans receivable	1,889,578
Intergovernmental receivables	261,199
Other receivables	20,418
Capital assets, net	61,714,164
Total assets	81,894,021
<b>LIABILITIES</b>	
Claims payable	1,191,499
Intergovernmental payables	262,754
Accrued interest payable	38,138
Deferred revenue	12,791,446
Other payables	115,634
Long-term liabilities	
Due within one year:	
Capital related debt	1,265,053
Due in more than one year:	
Capital related debt	5,897,553
Non-capital debt	210,766
Total liabilities	21,772,843
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	54,551,558
Restricted net assets:	
Expendable:	
General government	2,311
Debt service	1,952,735
Public safety	96,123
Public works	837,332
Culture and recreation	2,592
Capital projects	3,280
Unrestricted	2,675,247
Total Net Assets	\$ 60,121,178

The accompanying notes and auditors' reports are integral parts of the statements.

MARSHALL COUNTY  
Holly Springs, Mississippi  
Statement of Activities  
For the Year Ended September 30, 2007

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government:					
Governmental activities:					
General government	\$ 4,318,086	980,285	-	-	( 3,337,801)
Public safety	4,062,372	511,458	277,396	-	( 3,273,518)
Public works	6,854,743	243,924	881,848	3,051,165	( 2,677,806)
Health and welfare	797,754	-	121,999	-	( 675,755)
Culture and recreation	729,828	-	-	-	( 728,828)
Education	43,047	-	-	-	( 43,047)
Conservation of natural resources	78,280	-	-	-	( 78,280)
Economic development and assistance	232,039	-	-	-	( 232,039)
Interest on long-term debt	339,350	-	-	-	( 339,350)
Total Governmental Activities	<u>\$ 17,455,499</u>	<u>1,735,667</u>	<u>1,281,243</u>	<u>3,051,165</u>	<u>( 11,387,424)</u>
General revenues:					
Taxes:					
Property taxes					\$ 11,814,577
Road & bridge privilege taxes					411,594
Grants and contributions not restricted to specific programs					847,590
Unrestricted investment income					323,128
Miscellaneous					( 285,169)
Total General Revenues, Special Item, Extraordinary Items and Transfers					<u>13,111,720</u>
Changes in Net Assets					<u>1,724,296</u>
Net Assets - Beginning					60,716,706
Prior period adjustment					( 2,319,824)
Net Assets - Beginning, as restated					<u>58,396,882</u>
Net Assets - Ending					<u>\$ 60,121,178</u>

The accompanying notes and auditors' reports are integral parts of the statements.

MARSHALL COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2007

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Marshall County Engineering Fund	Marshall County Justice Complex Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash and investments	\$ 2,887,792	413,312	-	55,796	1,498,655	\$ 4,855,555
Accrued interest receivable	2,000	2,054	-	-	16,125	20,179
Property tax receivable	7,802,924	4,206,607	-	338,894	432,569	12,780,994
Fines receivable	351,934	-	-	-	-	351,934
Loans receivable	-	-	-	-	1,889,578	1,889,578
Intergovernmental receivables	161,374	38,633	20,657	-	40,535	261,199
Other receivables	5,023	-	-	-	15,395	20,418
Due from other funds	46,448	102,238	-	6,215	6,972	161,873
<b>Total Assets</b>	<b>11,257,495</b>	<b>4,762,844</b>	<b>20,657</b>	<b>400,905</b>	<b>3,899,829</b>	<b>20,341,730</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Claims payable	72,563	1,075,789	20,657	2,553	19,937	1,191,499
Intergovernmental payables	262,754	-	-	-	-	262,754
Due to other funds	115,425	-	-	-	46,448	161,873
Deferred revenue	8,154,858	4,206,607	-	338,894	443,021	13,143,380
Other payables	115,634	-	-	-	-	115,634
<b>Total Liabilities</b>	<b>8,721,234</b>	<b>5,282,396</b>	<b>20,657</b>	<b>341,447</b>	<b>509,406</b>	<b>14,875,140</b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Loans receivable	-	-	-	-	1,889,578	1,889,578
<b>Unreserved, reported in:</b>						
General fund	2,536,261	-	-	-	-	2,536,261
Special revenue funds	-	( 519,552)	-	-	1,482,060	962,508
Debt service funds	-	-	-	59,458	15,505	74,963
Capital project funds	-	-	-	-	3,280	3,280
<b>Total Fund Balances</b>	<b>2,536,261</b>	<b>( 519,552)</b>	<b>-</b>	<b>59,458</b>	<b>3,390,423</b>	<b>5,466,590</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,257,495</b>	<b>4,762,844</b>	<b>20,657</b>	<b>400,905</b>	<b>3,899,829</b>	<b>\$ 20,341,730</b>

The accompanying notes and auditors' reports are integral parts of the statements.

MARSHALL COUNTY  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 September 30, 2007

Exhibit 3-1

		<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$	<u>5,466,590</u>
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:		
Capital assets that are used in governmental activities are not financial resources and therefore, are not reported in the funds		
Governmental capital assets	\$ 130,785,337	
Less accumulated depreciation	<u>( 69,071,173)</u>	61,714,164
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.		
		351,934
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Long-term liabilities	( 7,373,372)	
Accrued interest on long-term debt	( 38,138)	
Total net assets - governmental activities (Exhibit 1)	\$	<u><u>60,121,178</u></u>

The accompanying notes and auditors' reports are integral parts of the statements.

**MARSHALL COUNTY**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2007**

Exhibit 4

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Marshall County Engineering Fund	Marshall County Justice Complex Fund		
<b>REVENUES</b>						
Property taxes	\$ 7,346,052	3,706,587	-	354,950	406,988	\$ 11,814,577
Road and bridge privilege taxes	-	411,594	-	-	-	411,594
Licenses, commissions and other revenues	700,468	40,615	-	-	-	741,083
Fines and forfeitures	279,639	-	-	-	45,487	325,126
Intergovernmental revenues	962,209	892,745	3,051,165	-	273,877	5,179,996
Charges for services	326,929	-	-	-	327,212	654,141
Interest income	108,151	16,957	-	110,729	87,291	323,128
Miscellaneous revenues	133,102	72,348	-	-	20,800	226,251
<b>Total revenues</b>	<b>9,856,550</b>	<b>5,140,847</b>	<b>3,051,165</b>	<b>465,679</b>	<b>1,161,655</b>	<b>19,675,896</b>
<b>EXPENDITURES</b>						
Current:						
General government	4,524,341	-	-	-	1,767	4,526,108
Public safety	3,026,962	-	-	-	1,013,993	4,040,955
Public works	724,508	8,287,613	3,051,165	-	15,242	12,078,528
Health and welfare	793,985	-	-	-	-	793,985
Culture and recreation	143,536	-	-	-	583,507	727,043
Education	-	43,047	-	-	-	43,047
Conservation of natural resources	78,280	-	-	-	-	78,280
Economic development and assistance	232,039	-	-	-	-	232,039
Debt service:						
Principal	98,174	262,298	-	2,910,000	491,356	3,761,828
Interest	23,886	46,627	-	229,583	17,251	317,347
Bond issue costs	-	-	-	8,240	-	8,240
<b>Total expenditures</b>	<b>9,645,711</b>	<b>8,639,565</b>	<b>3,051,165</b>	<b>3,147,823</b>	<b>2,123,116</b>	<b>26,607,400</b>
Excess of revenues over (under) expenditures	210,839	( 3,498,738)	-	( 2,682,144)	( 961,461)	( 6,931,504)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	47,656	1,210,466	-	-	350,000	1,608,122
Compensation for loss of capital assets	11,537	-	-	-	-	11,537
Transfers in	26,846	412,584	-	-	292,937	732,367
Transfers out	( 292,937)	-	-	-	( 439,430)	( 732,367)
<b>Total other financing sources and uses</b>	<b>( 206,898)</b>	<b>1,623,050</b>	<b>-</b>	<b>-</b>	<b>203,507</b>	<b>1,619,659</b>
Net change in fund balances	3,941	( 1,875,688)	-	( 2,682,144)	( 757,954)	( 5,311,845)
Fund balances - Beginning	2,532,320	1,356,136	-	24,726	4,457,501	8,370,683
Prior period adjustment	-	-	-	2,716,876	( 309,124)	2,407,752
<b>Fund balances - Ending</b>	<b>\$ 2,536,261</b>	<b>( 519,552)</b>	<b>-</b>	<b>59,458</b>	<b>3,390,423</b>	<b>\$ 5,466,590</b>

The accompanying notes and auditors' reports are integral parts of the 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, 2007

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ ( 5,311,845)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$7,211,439 exceeding depreciation of \$1,890,039.</p>	5,321,400
<p>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 assets differs from the change in fund balances by the amount of proceeds from the sale compensation from loss in the current period.</p>	( 522,957)
<p>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.</p>	15,318
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$3,761,828 exceeded debt proceeds \$1,608,122.</p>	2,153,706
<p>Under the modified accrual basis of accounting using the governmental funds, expenditures are not recognized for transactions that are 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 assets differs from the change in fund balances by a combination of the following items:</p>	
The amount of decrease in compensated absences.	82,436
The amount of increase in accrued interest payable.	( 13,762)
Change in net assets of governmental activities (Exhibit 2)	\$ <u><u>1,724,296</u></u>

The accompanying notes and auditors' reports are integral parts of the statements.

MARSHALL COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2007

Exhibit 5

**Assets:**

Cash  
Other receivables  
Total assets

Agency  
Funds  
\$ 15,247  
10,627  
25,874

**Liabilities:**

Claims payable and other accrued liabilities  
Intergovernmental Payable  
Total Liabilities

5,246  
20,628  
\$ 25,874

The accompanying notes and auditors' reports are integral parts of the statements.

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

**Note 1: Summary of Significant Accounting Policies**

**Financial Reporting Entity** – Marshall 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
- Northwest Mississippi Consolidated District of Marshall, Tate and DeSoto Counties
- Oaklimer Drainage District
- Tippah River Tri-County Drainage District

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

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

**Basis of Presentation** – the County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

**Government-wide Financial Statements** – The Statement of Net Assets 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 the interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other none exchange revenues.

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

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

The Statement of Net Assets presents the final condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the programs, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as programs 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.

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

**Measurement Focus and Basis of Accounting** – The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic assets used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

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

The county reports the following major governmental funds:

General Fund – Accounts for all activities of the general government for which a separate fund has not been established.

Countywide 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 that is restricted for road construction and improvement.

Marshall County Justice Complex Fund – Accounts for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for the Marshall County Justice Complex construction.

Additionally, the county reports the following fund types:

**Governmental Fund Types**

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specific purposes. Special Revenue Funds account for, among other, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds – These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

**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.

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

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

**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 2005 by the Government Finance Officers Association.

**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, 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.

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

**Interfund Transactions and Balances** – Transactions between funds that are representative of short-term lending or 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 Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980 are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

**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 of capital assets are reported 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.

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

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

**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 Assets.

**Equity Classifications**

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt – 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, constructions or improvements of those assets.

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

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

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

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

**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 is 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.

**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  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

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

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

**Note 2: Prior Period Adjustments**

A summary of significant fund equity adjustments is as follows:

To correct errors in capital assets, net of accumulated depreciation - Governmental activities	\$ ( 2,082,847)
To record bond issue omitted in error in prior year	( 2,795,000)
To correct errors in beginning balances of notes payable	150,271
Adjustments from Exhibit 4	<u>2,407,752</u>
Total prior period adjustments	<u>\$ ( 2,319,824)</u>

**Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances -  
Government Funds**

Reason:	Amount
To correct error in Lighthouse Plastics note receivable beginning balance	\$ ( 195,129)
To remove note receivable included in error in prior year	( 113,994)
To record cash omitted in error in prior year	<u>2,716,875</u>
Total prior period adjustments	<u>\$ 2,407,752</u>

**Note 3: Deposits**

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$4,870,802 and the bank balance was \$5,781,590. 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).

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

**Note 3: Deposits (Continued)**

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.

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

**Note 4: Interfund Transactions and Balances**

The following is a summary of interfund balances at September 30, 2007:

Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 46,448
Countywide Road Maintenance	General Fund	102,238
MC Justice Complex Fund	General Fund	6,215
Other Governmental Funds	General Fund	6,972
Total		\$ <u>161,873</u>

The receivables represent temporary loans and tax revenues collected but not settled until October, 2007. All interfund balances are expected to be repaid within one year from the date of the financial statements.

Transfer In/Out

General Fund	Transfer Out	Amount
Countywide Road Maintenance Fund	Other Governmental Funds	\$ 26,846
Other Governmental Funds	Other Governmental Funds	412,584
Total	General Fund	292,937
		\$ <u>732,367</u>

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

**Note 4: Interfund Transactions and Balances (Continued)**

The principle purpose of interfund transfers was to provide funds for capital outlay and debt service. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**Note 5: Intergovernmental Receivables** – Intergovernmental receivables at September 30, 2007, consisted of the following:

<u>Description</u>	<u>Amount</u>
Chancery Clerk fees	\$ 212
Homeland Security grant	40,535
Legislative tag credit	149,456
Motor vehicle tax	38,633
Reimbursement for housing prisoners	6,120
Sheriff fees	4,870
State aid roads	20,657
Timber severance	224
Other	492
Total	<u>\$ 261,199</u>

**Note 6: Loans Receivable**

Loans receivable balances at September 30, 2007, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Thomas & Betts MBIA loan	12/95	-0-	12/10	\$ 1,600,000
Lighthouse Plastics, LLC loan	10/02	3.00	12/17	289,578
Total				<u>\$ 1,889,578</u>

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

**Note 7: Capital Assets**

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments	Balance Sept. 30, 2007
<u>Non-depreciable capital assets</u>					
Land	\$ 681,339	-	-	-	\$ 681,339
Construction in progress	399,218	3,150,394	-	( 399,218)	3,150,394
Total non-depreciable capital assets	<u>1,080,557</u>	<u>3,150,394</u>	<u>-</u>	<u>( 399,218)</u>	<u>3,831,733</u>
<u>Depreciable capital assets</u>					
Infrastructure	106,584,925	2,364,133	-	258,975	109,208,033
Buildings	8,571,011	61,882	-	( 189,583)	8,443,310
Mobile Equipment	5,065,802	43,406	( 71,510)	275,841	5,313,539
Furniture and equipment	2,167,044	83,502	( 83,239)	( 1,413,527)	753,780
Leased property under capital leases	3,139,460	1,508,122	( 797,067)	( 615,573)	3,234,942
Total depreciable assets	<u>125,528,242</u>	<u>4,061,045</u>	<u>( 951,816)</u>	<u>( 1,683,867)</u>	<u>126,953,604</u>
Less accumulated depreciation for:					
Infrastructure	60,443,053	906,609	-	-	61,349,662
Buildings	2,572,627	142,011	-	( 50,723)	2,663,915
Mobile equipment	2,290,894	265,230	( 64,359)	1,256,742	3,748,507
Furniture and equipment	1,328,827	44,648	( 77,556)	( 742,342)	553,577
Leased property under capital leases	974,830	531,541	( 286,944)	( 463,915)	755,512
Total accumulated depreciation	<u>67,610,231</u>	<u>1,890,039</u>	<u>( 428,859)</u>	<u>( 238)</u>	<u>69,071,173</u>
Total depreciable capital assets, net	<u>57,918,011</u>	<u>2,171,006</u>	<u>( 522,957)</u>	<u>( 1,683,629)</u>	<u>57,882,431</u>
Governmental activities capital assets, net	<u>\$ 58,998,568</u>	<u>5,321,400</u>	<u>( 522,957)</u>	<u>( 2,082,847)</u>	<u>\$ 61,714,164</u>

The adjustments made to capital assets consisted of completed construction in progress to the proper asset category, reclassing paid off capital leases to the proper asset category, and the prior period adjustment to capital assets described in Note 2 to the financial statements.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General Government	\$ 210,395
Public Safety	149,979
Public Works	1,523,111
Culture & Recreation	2,785
Economic Development	3,769
Total	<u>\$ 1,890,039</u>

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

**Note 8: Claims and Judgments**

**Risk Financing**

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by 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, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**Note 9: Capital Leases**

**As Lessee:**

The county is obligated for the following assets acquired through capital leases as of September 30, 2007:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Building	\$ 440,000
Mobile equipment	2,667,951
Other furniture and equipment	<u>126,991</u>
Total	3,234,942
Less: Accumulated Depreciation	<u>( 755,512)</u>
Leased Property Under Capital Lease	<u>\$ 2,479,430</u>

The following is a schedule by years of the total payments due as of September 30, 2007:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year Ending September 30,		
2008	\$ 542,476	\$ 97,604
2009	482,530	73,124
2010	482,386	53,558
2011	362,875	35,678
2012	273,266	22,162
2013 - 2022	<u>252,698</u>	<u>68,811</u>
Total	<u>\$ 2,396,231</u>	<u>\$ 350,937</u>

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

**Note 10: Long-term Debt**

Debt outstanding as of September 30, 2007, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Thomas & Betts, Series 1995	\$ 1,600,000	0.00%	12/10
Justice Complex, Series 2006	<u>2,775,000</u>	3.625 - 4.05%	9/17
Total General Obligation Bonds	<u>\$ 4,375,000</u>		
B. Special Assessment Debt with Governmental Commitment:			
Marshall County 34 Pine Hill subdivision	\$ 6,800	4.50 - 5.00%	9/08
Marshall County Hill View subdivision	<u>6,300</u>	5.00%	11/07
Total Special Assessment Debt	<u>\$ 13,100</u>		
C. Capital Leases:			
Volvo tractor	\$ 13,042	3.070%	7/08
4 JD 6420 tractors	44,848	3.070%	7/08
2005 Ford Crown Victoria	8,119	3.33%	9/08
2005 Ford Crown Victoria	8,119	3.33%	9/08
2006 Ford Crown Victorias (2)	21,815	3.75%	4/09
2006 Ford Crown Victoria	16,077	4.08%	8/09
2007 Ford Crown Victoria (Sheriff)	21,560	4.29%	5/10
2007 Ford Crown Victoria	23,124	4.38%	8/10
3 Caterpillar motor graders	388,246	3.750%	1/11
Trailboss trailers	47,827	3.750%	1/11
2 Caterpillar backhoe loaders	108,094	3.750%	1/11
Computer system upgrade	91,412	3.990%	2/11
3 2007 Mack tractor trailers	255,516	4.140%	2/12
6 2007 Mack dump trucks	591,506	4.140%	2/12
4 JD tractors and booms	337,102	4.140%	4/12
Tax Collector building	76,982	5.50%	7/12
Miller building	<u>342,842</u>	5.25%	3/22
Total Capital Leases	<u>\$ 2,396,231</u>		
D. Other Loans:			
MS Development Authority-CAP loan	289,578	3.00%	10/13
Caterpillar Dozer	<u>88,697</u>	3.02%	6/09
Total Other Loans	<u>\$ 378,275</u>		

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

**Note 10: Long-term Debt (Continued)**

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans		Special Assessment	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 630,000	106,894	79,475	10,249	13,100	\$ 825
2009	635,000	98,556	99,723	7,643	-	-
2010	645,000	89,979	47,325	5,296	-	-
2011	660,000	80,914	48,765	3,857	-	-
2012	270,000	71,164	50,248	2,374	-	-
2013	285,000	60,769	51,784	845	-	-
2014	290,000	49,725	955	11	-	-
2015	305,000	38,415	-	-	-	-
2016	320,000	26,367	-	-	-	-
2017	335,000	13,567	-	-	-	-
Total	\$ 4,375,000	636,350	378,275	30,275	13,100	\$ 825

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, 2007, the amount of outstanding debt was equal to 2.38% of the latest property assessments.

Special Assessment Debt with Commitments - The County issued special assessment bonds issues totaling \$602,000. The debt was issued to provide funds for the paving of subdivision roads. The bonds are secured by the full faith and credit of the County. The County levied a special assessment tax upon all taxable property in the benefited areas. The tax is adequate and sufficient to provide for the payment of the principle and interest on the bonds.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Reductions	Adjustments	Balance Sept. 30, 2007	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 293,202	-	( 82,436)	-	210,766	-
General obligation bonds	2,890,000	-	( 3,310,000)	4,795,000	4,375,000	630,000
Special assessment debt with governmental commitment	19,400	-	( 6,300)	-	13,100	13,100
Capital leases	1,140,960	1,608,122	( 368,196)	15,345	2,396,231	542,476
Other loans	2,621,223	-	( 77,332)	(2,165,616)	378,275	79,477
Totals	\$ 6,964,785	1,608,122	( 3,844,264)	2,644,729	7,373,372	1,265,053

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

**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: 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 \$5,000 for the joint venture in fiscal year 2007.

**Note 13: Jointly Governed Organizations**

The county participates in the following jointly governed organizations:

Communicare operates in a district composed of the Counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Marshall County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$47,578 for Communicare in fiscal year 2007.

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 \$637,596 for maintenance and support of the college in fiscal year 2007.

MARSHALL COUNTY  
Holly Springs, Mississippi  
Notes to Financial Statements  
For the Year Ended September 30, 2007

**Note 13: Jointly Governed Organizations (Continued)**

Northeast Mississippi Planning and Development District is composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Marshall County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$20,000 for support of the district in fiscal year 2007.

**Note 14: Defined Benefit Pension Plan**

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

Funding Policy – PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2007 was 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the year ending September 30, 2007, 2006, and 2005, were \$624,666, \$540,801, and \$484,480, respectively, equal to the required contributions for each year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 7,545,806	7,545,806	7,361,608	( 184,198)
Licenses, commissions and other revenue	604,200	604,200	694,727	90,527
Fines and forfeitures	202,000	202,000	271,564	69,564
Intergovernmental revenues	753,000	753,000	985,395	232,395
Charges for services	320,000	320,000	326,929	6,929
Interest income	35,000	35,000	109,931	74,931
Miscellaneous revenues	97,000	97,000	136,849	39,849
Total Revenues	<u>9,557,006</u>	<u>9,557,006</u>	<u>9,887,003</u>	<u>329,997</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,179,502	5,179,502	4,510,388	669,114
Public safety	3,452,962	3,312,558	3,047,789	264,769
Public works	701,794	701,794	816,047	( 114,253)
Health and welfare	907,865	907,865	794,219	113,646
Culture and recreation	157,665	157,665	143,485	14,180
Education	50,000	50,000	-	50,000
Conservation of natural resources	94,004	94,004	77,035	16,969
Economic development and assistance	233,138	233,138	233,316	( 178)
Total Expenditures	<u>10,776,930</u>	<u>10,636,526</u>	<u>9,622,279</u>	<u>1,014,247</u>
Excess of Revenues over (under) Expenditures	<u>( 1,219,924)</u>	<u>( 1,079,520)</u>	<u>264,724</u>	<u>1,344,244</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	173,071	173,071	233,783	60,712
Transfers out	( 576,771)	( 576,771)	( 391,859)	184,912
Total Other Financing Sources and Uses	<u>( 403,700)</u>	<u>( 403,700)</u>	<u>( 158,076)</u>	<u>245,624</u>
Net Change in Fund Balance	( 1,623,624)	( 1,483,220)	106,648	1,589,868
Fund Balances - Beginning	1,938,071	1,938,071	2,067,933	129,862
Fund Balances - Ending	<u>\$ 314,447</u>	<u>454,851</u>	<u>2,174,581</u>	<u>1,719,730</u>

The accompanying notes to the required supplemental information are an integral part of this statement.

MARSHALL COUNTY  
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)  
 Countywide Road Fund  
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,586,495	3,586,495	3,719,798	133,303
Road and bridge privilege taxes	380,000	380,000	412,339	32,339
Licenses, commissions and other revenues	30,000	30,000	40,615	10,615
Intergovernmental revenues	772,000	772,000	843,386	71,386
Interest income	25,000	25,000	17,073	( 7,927)
Miscellaneous revenues	31,500	31,500	72,349	40,849
Total Revenues	<u>4,824,995</u>	<u>4,824,995</u>	<u>5,105,560</u>	<u>280,565</u>
<b>EXPENDITURES</b>				
Current:				
Public works	6,215,815	6,215,815	6,405,737	( 189,922)
Total Expenditures	<u>6,215,815</u>	<u>6,215,815</u>	<u>6,405,737</u>	<u>( 189,922)</u>
Excess of Revenues over (under) Expenditures	<u>( 1,390,820)</u>	<u>( 1,390,820)</u>	<u>( 1,300,177)</u>	<u>90,643</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	66,192	66,192	412,584	346,392
Total Other Financing Sources and Uses	<u>66,192</u>	<u>66,192</u>	<u>412,584</u>	<u>346,392</u>
Net Change in Fund Balance	( 1,324,628)	( 1,324,628)	( 887,593)	437,035
Fund Balances - Beginning	<u>1,380,000</u>	<u>1,380,000</u>	<u>1,417,500</u>	<u>37,500</u>
Fund Balances - Ending	<u><u>55,372</u></u>	<u><u>55,372</u></u>	<u><u>529,907</u></u>	<u><u>474,535</u></u>

The accompanying notes to the required supplemental information are an integral part of this statement.

MARSHALL COUNTY  
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)  
 Marshall County Engineering Fund  
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	125,000	125,000	283,355	158,355
Total Revenues	<u>125,000</u>	<u>125,000</u>	<u>283,355</u>	<u>158,355</u>
<b>EXPENDITURES</b>				
Current:				
Public works	125,000	125,000	283,355	( 158,355)
Total Expenditures	<u>125,000</u>	<u>125,000</u>	<u>283,355</u>	<u>( 158,355)</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes to the required supplemental information are an integral part of this statement.

**MARSHALL COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ending September 30, 2007

**A. Budgetary Information**

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the 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.

**B. Basis of Presentation**

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

**C. Budget/GAAP Reconciliation**

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

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

MARSHALL COUNTY  
Notes to the Required Supplementary Information  
For the Year Ending September 30, 2007

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

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

	Governmental Fund Type		
	General Fund	Countywide Road Fund	MC Engineering Fund
Budget (Cash Basis)	\$ 106,648	( 887,593)	-
Increase (Decrease)			
Net adjustments for revenue accruals	( 178,197)	1,245,753	2,767,810
Net adjustments for expenditure accruals	75,490	( 2,233,848)	( 2,767,810)
GAAP Basis	\$ 3,941	( 1,875,688)	-

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

The following fund had an excess of actual expenditures over budget for the year ended September 30, 2007:

Fund	Excess
Marshall County Engineering Fund	\$ 158,355
Countywide Road Fund	189,922

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

**SPECIAL REPORTS**



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

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

Members of the Board of Supervisors  
 Marshall County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, as of and for the year ended September 30, 2007, which collectively compromise the County's basic primary government financial statements and have issued our report thereon dated September 12, 2008. 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 reporting entity that include the financial data for its component units. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements, but not for the purpose of expressing our opinions on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that all of the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 07-2 and 07-4.

Marshall County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Marshall County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.

Eupora, Mississippi  
September 12, 2008

*Watkins, Ward and Stafford, PLLC*



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**INDEPENDENT AUDITORS' 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 made a study and evaluation of the central purchasing system and inventory control system of Marshall County, Mississippi, as of and for the year ended September 30, 2007. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Marshall County, Mississippi, is responsible for 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). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). 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 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.

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 study and evaluation of the purchasing system, and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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

Eupora, Mississippi  
September 12, 2008

*Watkins, Ward and Stafford, PLLC*

MARSHALL COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2007

Schedule 1

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, 2007

Schedule 2

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, 2007

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
12/15/2006	Stenographic Shorthand Machine	\$ 8,425	Stenograph, LLC
12/27/2006	VIP Software Licenses	\$ 16,000	TRPDD
12/27/2006	Annual Maintenance - VIP	\$ 3,200	TRPDD



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**LIMITED INTERNAL CONTROL AND COMPLIANCE  
 REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
 Marshall County, Mississippi

In planning and performing our audit of the financial statements of Marshall County, Mississippi for the year ended September 30, 2007, we considered Marshall County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinion 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 and tests were substantially less in scope than an audit, the objective of which is an 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 September 12, 2008, 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 immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our finding and recommendation and your response is disclosed below:

Board of Supervisors

1. Finding

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

Recommendation

No expenditures should be made in excess of budgeted items.

Board of Supervisor's Response

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

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

Eupora, Mississippi  
September 12, 2008

*Watkins, Ward and Stafford, PLLC*

**SCHEDULE OF FINDINGS AND RESPONSES**

MARSHALL COUNTY  
Holly Springs, Mississippi  
Schedule of Findings and Responses  
For the Year Ended September 30, 2007

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditors' report issued on the financial statements:                              |               |
|    | Governmental activities   | Unqualified   |
|    | Aggregate discretely presented component units  | Adverse       |
|    | General Fund  | Unqualified   |
|    | Countywide Road Maintenance Fund  | Unqualified   |
|    | Marshall County Engineering Fund  | Unqualified   |
|    | Marshall County Justice Complex Fund  | Unqualified   |
|    | Aggregate remaining fund information  | Unqualified   |
| 2. | Internal control over financial reporting:  |               |
|    | a. Material weaknesses identified?  | Yes           |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. | Noncompliance material to the financial statements  | No            |

MARSHALL COUNTY  
Holly Springs, Mississippi  
Schedule of Findings and Responses  
For the Year Ended September 30, 2007

**Section 2: Financial Statements Findings**

Board of Supervisors

Significant Deficiency – Material Weakness

07-1. Finding

Investments were not reconciled as of September 30, 2007.

Recommendation

All investments should be kept in a subsidiary ledger and reconciled on a monthly basis.

Response

All investments will be recorded properly and reconciled monthly in a timely manner.

Board of Supervisors

Significant Deficiency – Material Weakness

07-2. Finding

An eligible employee of the county retired and discovered that retirement contributions had never been made on his behalf to PERS.

Recommendation

The county should verify that all employees eligible for PERS are having money both taken out of their checks and the county is matching the appropriate amount.

Response

We will compare the list of employees currently in PERS to payroll records to ensure that all eligible employees are included in PERS.

MARSHALL COUNTY  
Holly Springs, Mississippi  
Schedule of Findings and Responses  
For the Year Ended September 30, 2007

**Section 2: Financial Statements Findings (Continued)**

Board of Supervisors

Significant Deficiency – Material Weakness

07-3. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel that possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked expertise to apply generally accepted accounting principles in preparing its financial statements, the auditor was relied upon to perform these tasks. Without adequate controls in place over the preparation of financial statements in accordance with generally accepted accounting principles, the risk increases that inaccurate information may be reported.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements are presented and disclosed in accordance with generally accepted accounting principles.

Response

The county has relied upon the auditor to prepare financial statements for over 20 years due to county accounting personnel time constraints and to save taxpayer funds for the sake of financial efficiency. This new internal control weakness finding is based upon new requirements and interpretations of auditing standards that have not been required in the past. The new requirements are audit regulations developed as a response to the many recent corporate accounting and audit internal control debacles such as the Enron and WorldCom accounting scandals. While such corporate internal control problems relating to financial statements may have little to do with governmental financial statements, the new regulations still apply. The Board of Supervisors will take the necessary steps to ensure that experienced, qualified county personnel provide the appropriate financial information to the auditor and that a critical review of financial statements prepared by the auditor is performed to strengthen internal control over financial statement preparation.

MARSHALL COUNTY  
Holly Springs, Mississippi  
Schedule of Findings and Responses  
For the Year Ended September 30, 2007

**Section 2: Financial Statements Findings (Continued)**

Justice Court Clerk

Significant Deficiency – Material Weakness

07-4. Finding

The Justice Court Clerk has not been reconciling the bank statements on a timely basis. The September 2007 bank statement was not reconciled until May 2008.

Recommendation

The bank statements should be reconciled on a monthly basis.

Response

I will reconcile all bank statements monthly and on a timely basis.