

# MARSHALL COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2009

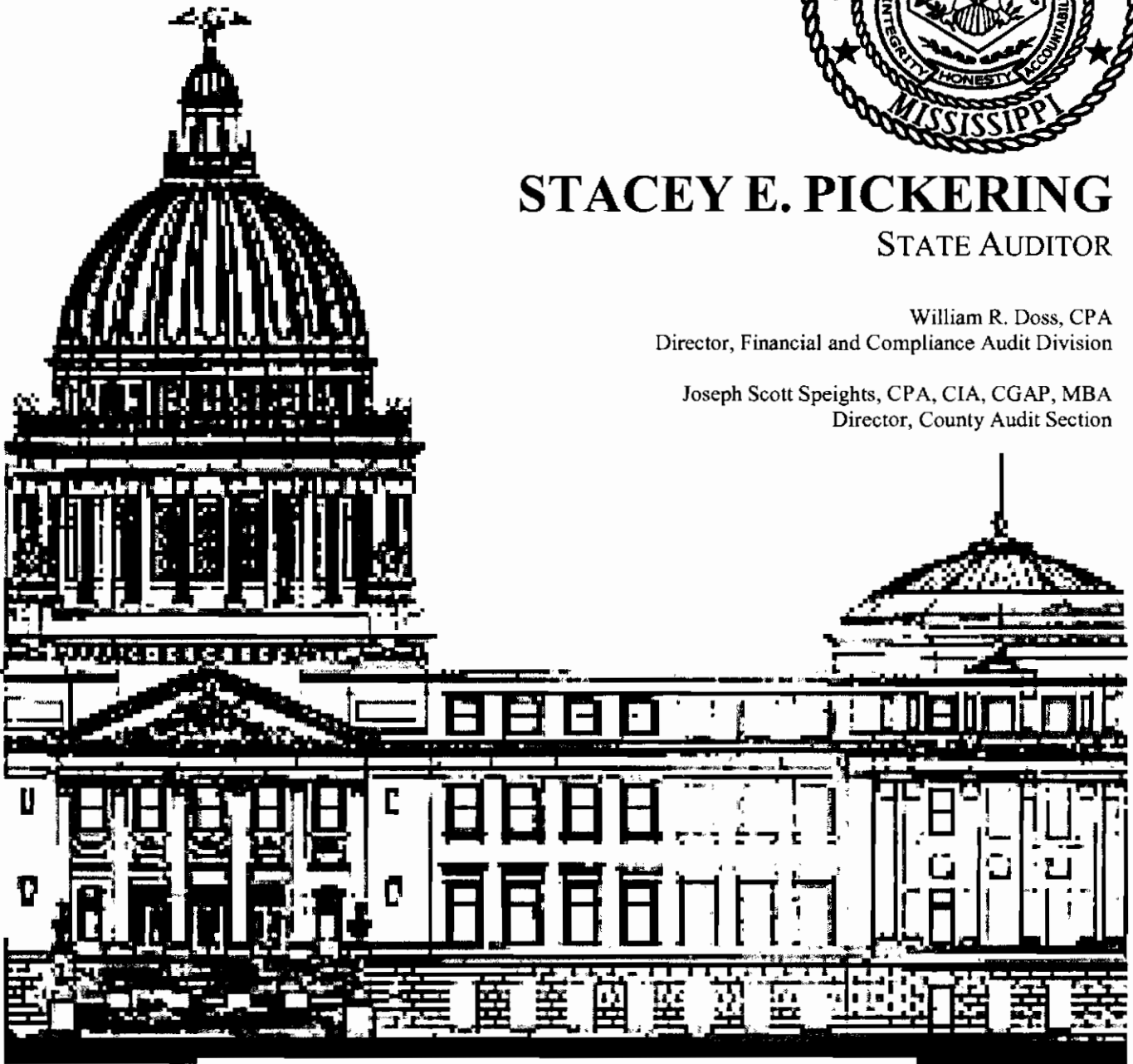


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

April 20, 2011

Members of the Board of Supervisors  
Marshall County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for Marshall County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering  
State Auditor



MARSHALL COUNTY

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MARSHALL COUNTY

FINANCIAL SECTION

MARSHALL COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

## INDEPENDENT AUDITOR'S 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, as of and for the year ended September 30, 2009, which collectively comprise 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.

The county has not recorded an asset for solid waste accounts receivable, net of an allowance for uncollectible receivables, in the General Fund or the governmental activities Statement of Net Assets. Accounting principles generally accepted in the United States of America require that these accounts receivable should be recognized as soon as the underlying exchange occurs. The amount by which this departure would affect the assets, liabilities, fund balance and revenues of the General Fund and the assets, net assets and revenues of the governmental activities of the governmental activities is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed in the third paragraph, the financial statements referred to previously 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, 2009, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Marshall County, Mississippi, as of September 30, 2009, 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 addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Road Maintenance Fund, the Marshall County Engineering Fund and the aggregate remaining fund information of Marshall County, Mississippi, as of September 30, 2009, 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 our report dated April 20, 2011, 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 results 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 Schedules 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.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 20, 2011

**MARSHALL COUNTY**

**FINANCIAL STATEMENTS**

MARSHALL COUNTY

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MARSHALL COUNTY  
Statement of Net Assets  
September 30, 2009

Exhibit 1

	Primary Government
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 6,644,171
Accrued interest receivable	946
Property tax receivable	12,596,256
Fines receivable (net of allowance for uncollectibles of \$866,463)	361,393
Loans receivable	800,000
Intergovernmental receivables	244,902
Other receivables	93,329
Capital assets held for resale	253,044
Capital assets:	
Land and construction in progress	1,438,417
Other capital assets, net	<u>60,658,046</u>
Total Assets	<u>83,090,504</u>
<b>LIABILITIES</b>	
Claims payable	232,813
Intergovernmental payables	250,859
Accrued interest payable	28,074
Deferred revenue	12,596,256
Amounts held in custody for others	1,165,954
Long-term liabilities	
Due within one year:	
Capital debt	777,092
Non-capital debt	400,000
Due in more than one year:	
Capital debt	3,467,806
Non-capital debt	<u>848,743</u>
Total Liabilities	<u>19,767,597</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	57,851,565
Restricted:	
Expendable:	
General government	114,782
Debt service	49,482
Public safety	215,211
Public works	2,885,440
Economic development	280,324
Culture and recreation	2,077
Unrestricted	<u>1,924,026</u>
Total Net Assets	<u>\$ 63,322,907</u>

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

MARSHALL COUNTY  
Statement of Activities  
For the Year Ended September 30, 2009

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 Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,084,775	872,238			(4,212,537)
Public safety	4,737,812	579,729	399,318	70,000	(3,688,765)
Public works	7,184,497	289,499	2,154,535	2,500,511	(2,239,952)
Health and welfare	896,306		63,661		(832,645)
Culture and recreation	299,110				(299,110)
Education	208,632				(208,632)
Conservation of natural resources	84,365				(84,365)
Economic development and assistance	465,443				(465,443)
Interest on long-term debt	174,608				(174,608)
Total Governmental Activities	\$ 19,135,548	1,741,466	2,617,514	2,570,511	(12,206,057)
General revenues:					
Property taxes					\$ 12,810,952
Road & bridge privilege taxes					426,371
Grants and contributions not restricted to specific programs					950,096
Unrestricted interest income					172,529
Miscellaneous					224,486
Total General Revenues					14,584,434
Changes in Net Assets					2,378,377
Net Assets - Beginning					61,131,090
Prior period adjustments					(186,560)
Net Assets - Beginning, as restated					60,944,530
Net Assets - Ending					\$ 63,322,907

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

MARSHALL COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2009

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Road Maintenance Fund	Marshall County Engineering Fund		
<b>ASSETS</b>					
Cash	\$ 3,438,850	1,767,027		1,438,294	6,644,171
Accrued interest receivable	946				946
Property tax receivable	7,829,368	4,129,695		637,193	12,596,256
Fines receivable (net of allowance for uncollectibles of \$866,463)	361,393				361,393
Loans receivable				800,000	800,000
Intergovernmental receivables	127,120	57,541		60,241	244,902
Capital assets held for resale				253,044	253,044
Other receivables	72,445			20,884	93,329
Due from other funds	176,321	97,108		9,017	282,446
<b>Total Assets</b>	<b>\$ 12,006,443</b>	<b>6,051,371</b>	<b>0</b>	<b>3,218,673</b>	<b>21,276,487</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Claims payable	\$ 126,866	67,524		38,423	232,813
Intergovernmental payables	250,859				250,859
Due to other funds	106,125			176,321	282,446
Deferred revenue	8,190,761	4,129,695		637,193	12,957,649
Amounts held in custody for others	1,165,954				1,165,954
<b>Total Liabilities</b>	<b>9,840,565</b>	<b>4,197,219</b>	<b>0</b>	<b>851,937</b>	<b>14,889,721</b>
Fund balances:					
Reserved for:					
Debt service				77,556	77,556
Loans receivable				800,000	800,000
Capital assets held for resale				253,044	253,044
Unreserved - undesignated, reported in:					
General Fund	2,165,878				2,165,878
Special Revenue Funds		1,854,152		1,125,698	2,979,850
Capital Project funds				110,438	110,438
<b>Total Fund Balances</b>	<b>2,165,878</b>	<b>1,854,152</b>	<b>0</b>	<b>2,366,736</b>	<b>6,386,766</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,006,443</b>	<b>6,051,371</b>	<b>0</b>	<b>3,218,673</b>	<b>21,276,487</b>

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

MARSHALL COUNTY  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 September 30, 2009

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,386,766
Amounts reported for governmental activities in the Statement of Net Assets 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 \$72,174,194.	62,096,463
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	361,393
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,493,641)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(28,074)</u>
Total Net Assets - Governmental Activities	\$ <u><u>63,322,907</u></u>

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

## MARSHALL COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2009

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Road Maintenance Fund	Marshall County Engineering Fund		
<b>REVENUES</b>					
Property taxes	\$ 8,058,440	4,103,223		649,289	12,810,952
Road and bridge privilege taxes		426,371			426,371
Licenses, commissions and other revenue	594,329	24,232		8,466	627,027
Fines and forfeitures	273,271			3,380	276,651
Intergovernmental revenues	1,044,843	1,330,054	3,021,817	741,406	6,138,120
Charges for services	475,735			340,316	816,051
Interest income	88,840	37,584		46,105	172,529
Miscellaneous revenues	138,394	28,172		36,134	202,700
Total Revenues	<u>10,673,852</u>	<u>5,949,636</u>	<u>3,021,817</u>	<u>1,825,096</u>	<u>21,470,401</u>
<b>EXPENDITURES</b>					
Current:					
General government	4,775,661			75,777	4,851,438
Public safety	3,632,283			1,138,166	4,770,449
Public works	791,848	4,244,393	3,021,817	318,921	8,376,979
Health and welfare	894,647				894,647
Culture and recreation	158,119			234,766	392,885
Education	91,487	117,145			208,632
Conservation of natural resources	84,365				84,365
Economic development and assistance	264,598			200,801	465,399
Debt service:					
Principal	131,176	425,765		683,312	1,240,253
Interest	35,110	49,853		110,366	195,329
Total Expenditures	<u>10,859,294</u>	<u>4,837,156</u>	<u>3,021,817</u>	<u>2,762,109</u>	<u>21,480,376</u>
Excess of Revenues over (under) Expenditures	<u>(185,442)</u>	<u>1,112,480</u>	<u>0</u>	<u>(937,013)</u>	<u>(9,975)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	25,091	26,900		320,000	371,991
Compensation for loss of capital assets	7,594	2,694			10,288
Transfers in	34,943			232,733	267,676
Transfers out	(232,733)			(34,943)	(267,676)
Total Other Financing Sources and Uses	<u>(165,105)</u>	<u>29,594</u>	<u>0</u>	<u>517,790</u>	<u>382,279</u>
Net Changes in Fund Balances	<u>(350,547)</u>	<u>1,142,074</u>	<u>0</u>	<u>(419,223)</u>	<u>372,304</u>
Fund Balances - Beginning	2,516,425	712,078		2,780,173	6,008,676
Prior period adjustment				5,786	5,786
Fund Balances - Beginning, as restated	<u>2,516,425</u>	<u>712,078</u>	<u>0</u>	<u>2,785,959</u>	<u>6,014,462</u>
Fund Balances - Ending	\$ <u>2,165,878</u>	<u>1,854,152</u>	<u>0</u>	<u>2,366,736</u>	<u>6,386,766</u>

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

## MARSHALL COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2009

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 372,304
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 assets differs from the change in fund balances by the amount that capital outlays of \$2,886,366 exceeded depreciation of \$1,769,450 in the current period.	1,116,916
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 the net loss of \$12,149 and the compensation for loss of capital assets of \$ 10,288 in the current period.	(22,437)
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.	21,738
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net 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 of \$1,240,253 exceeded debt proceeds of \$371,991.	868,262
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 assets differs from the change in fund balances by a combination of the following items:	
Decrease in compensated absences liability	873
Decrease in accrued interest payable	<u>20,721</u>
Change in Net Assets of Governmental Activities	\$ <u><u>2,378,377</u></u>

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

MARSHALL COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2009

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 74,394
Other receivables	8,855
Total Assets	<u>\$ 83,249</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 15,421
Intergovernmental payables	67,828
Total Liabilities	<u>\$ 83,249</u>

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

## MARSHALL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

#### (1) Summary of Significant Accounting Policies.

##### A. 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
- 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 Assets 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 Assets and Statement of Activities display information concerning the county as a whole. The statements include all non-fiduciary 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 non-exchange revenues.

The Statement of Net Assets 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, 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 For the Year Ended September 30, 2009

#### Fund Financial Statements:

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

#### 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 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Marshall County Engineering Fund - This fund is used to account for monies from specific revenue 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 the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, 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.

## MARSHALL COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

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.

#### 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 2005 by the Government Finance Officers Association.

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

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

#### 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, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

MARSHALL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

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

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

I. 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.

J. 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, construction or improvement 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 and regulations of other governments; or law through constitutional provisions or enabling legislation.

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 with unreserved classified as designated and undesignated.

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.

MARSHALL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

K. Property Tax Revenues.

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

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

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

L. 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.

M. 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.

(2) Prior Period Adjustments.

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior year error in capital assets, net	\$ (192,346)
To correct prior year fund classification error	<u>5,786</u>
Total	<u>\$ (186,560)</u>

MARSHALL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

Explanation	Amount
To correct prior year fund classification error	\$ <u>5,786</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$6,718,565 and the bank balance was \$7,784,496. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 176,321
Road Maintenance	General	97,108
Other Governmental Funds	General	<u>9,017</u>
Total		<u>\$ 282,446</u>

The receivables represent the tax revenue collected but not settled until October, 2009, and short term-loans to cover cash deficits. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 34,943
Other Governmental Funds	General Fund	<u>232,733</u>
Total		<u>\$ 267,676</u>

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

MARSHALL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

Description	Amount
<b>Governmental Activities:</b>	
Victims assistance reimbursement	\$ 8,742
Reimbursement for housing prisoners	7,460
Domestic violence grant	21,922
Sheriff technology grant	36,391
CDBG flyover grant	2,000
State aid road reimbursement	57,541
Legislative tag credit	106,716
Other	4,130
<b>Total Governmental Activities</b>	<b>\$ 244,902</b>

(6) Loans Receivable.

Loans receivable balances at September 30, 2009, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Thomas & Betts MBIA loan	12/1995	0	12/2010	\$ 800,000

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept. 30, 2009
<b>Non-depreciable capital assets:</b>					
Land	\$ 681,339				681,339
Construction in progress	1,013,138	797,791		(1,053,851)	757,078
<b>Total non-depreciable capital assets</b>	<b>1,694,477</b>	<b>797,791</b>	<b>0</b>	<b>(1,053,851)</b>	<b>1,438,417</b>
<b>Depreciable capital assets:</b>					
Infrastructure	112,318,511	1,457,476		774,542	114,550,529
Buildings	8,443,310	96,553		64,379	8,604,242
Mobile equipment	5,652,172	189,455	183,647	40,268	5,698,248
Furniture and equipment	835,387		13,222		822,165
Leased property under capital leases	2,852,233	345,091		(40,268)	3,157,056
<b>Total depreciable capital assets</b>	<b>130,101,613</b>	<b>2,088,575</b>	<b>196,869</b>	<b>838,921</b>	<b>132,832,240</b>

MARSHALL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept. 30, 2009
<u>Less accumulated depreciation for:</u>					
Infrastructure	62,271,959	989,061		(22,584)	63,238,436
Buildings	2,805,955	145,279			2,951,234
Mobile equipment	4,109,865	272,150	162,532	21,750	4,241,233
Furniture and equipment	609,909	47,758	11,900		645,767
Leased property under capital leases	804,072	315,202		(21,750)	1,097,524
Total accumulated depreciation	<u>70,601,760</u>	<u>1,769,450</u>	<u>174,432</u>	<u>(22,584)</u>	<u>72,174,194</u>
Total depreciable capital assets, net	<u>59,499,853</u>	<u>319,125</u>	<u>22,437</u>	<u>861,505</u>	<u>60,658,046</u>
Governmental activities capital assets, net	<u>\$ 61,194,330</u>	<u>1,116,916</u>	<u>22,437</u>	<u>(192,346)</u>	<u>62,096,463</u>

\* The adjustments to capital assets are to move completed construction in progress projects to their respective classification, to move capital leases that have been paid to mobile equipment and to remove overlay projects that were capitalized in error.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 199,550
Public safety	176,678
Public works	1,388,786
Health and welfare	1,659
Culture and recreation	2,777
Total governmental activities depreciation expense	<u>\$ 1,769,450</u>

Commitments with respect to unfinished capital projects at September 30, 2009, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
LSBP-47(10)	\$ 5,773	12/2009
SAP-47(61)	422,199	07/2010

MARSHALL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(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 the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2009, to January 1, 2010. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

Classes of Property		Governmental Activities
Building	\$	760,000
Mobile equipment		2,270,065
Furniture and equipment		126,991
		3,157,056
Total		3,157,056
Less: Accumulated depreciation		1,097,524
		2,059,532
Leased Property Under Capital Leases	\$	<u>2,059,532</u>

The following is a schedule by years of the total payments due as of September 30, 2009:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2010	\$ 513,158	72,409
2011	451,481	52,984
2012	394,086	36,793
2013	85,933	23,423
2014	41,383	20,713
2015 - 2019	238,294	72,185
2020 - 2024	191,629	16,438
Total	\$ <u>1,915,964</u>	<u>294,945</u>

MARSHALL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(10) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Thomas & Betts, Series 1995	\$ 800,000	0.00%	12/10
Justice Complex, Series 2006	<u>2,310,000</u>	3.63/4.05%	09/17
Total General Obligation Bonds	<u>\$ 3,110,000</u>		
B. Capital Leases:			
2007 Ford Crown Victoria	\$ 5,623	4.29%	05/10
2007 Ford Crown Victoria	7,588	4.38%	08/10
2007 Ford Crown Victoria	8,899	4.34%	10/10
Trailboss trailers	20,576	3.75%	01/11
Two Caterpillar backhoe loaders	46,507	3.75%	01/11
Computer system upgrade	38,584	3.99%	02/11
2008 Ford Crown Victoria	11,099	3.29%	03/11
Two 2008 Ford F-150 trucks	24,852	3.28%	03/11
2008 Ford Expedition	14,328	3.53%	06/11
Three 2007 Mack tractor trailers	163,997	4.14%	02/12
Six 2007 Mack dump trucks	379,644	4.14%	02/12
Four JD tractors and booms	197,818	4.14%	04/12
Tax collector building	48,194	5.50%	07/12
2009 Ford Crown Victoria	24,491	3.20%	08/12
Two Caterpillar motor graders	304,839	3.28%	03/13
Miller building	309,771	5.25%	03/22
Buford building	<u>309,154</u>	3.94%	01/24
Total Capital Leases	<u>\$ 1,915,964</u>		
C. Other Loans:			
MS Development Authority - CAP loan	\$ 250,138	3.00%	12/17
Caterpillar dozer	<u>18,934</u>	3.02%	04/10
Total Other Loans	<u>\$ 269,072</u>		

MARSHALL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 645,000	89,979
2011	660,000	80,914
2012	270,000	71,164
2013	285,000	60,769
2014	290,000	49,725
2015 - 2019	960,000	78,349
	<hr/>	<hr/>
Total	\$ <u>3,110,000</u>	<u>430,900</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 18,934	256
2011	45,929	6,693
2012	47,325	5,297
2013	48,765	3,857
2014	50,248	2,374
2015 - 2019	57,871	1,246
	<hr/>	<hr/>
Total	\$ <u>269,072</u>	<u>19,723</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2009, the amount of outstanding debt was equal to 1.46% 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. Payments began June 1, 2009, with principal and interest amounting to \$18,000 and \$5,254, respectively.

MARSHALL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance Oct. 1, 2008	Additions	Reductions	Adjustments	Balance Sept. 30, 2009	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 199,478		873		198,605	
General obligation bonds	3,745,000		635,000		3,110,000	645,000
Capital leases	2,074,943	345,091	504,070		1,915,964	513,158
Other loans	343,355	26,900	101,183		269,072	18,934
Total	\$ 6,362,776	371,991	1,241,126	0	5,493,641	1,177,092

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Special Levy Reappraisal Fund, Domestic Violence Grant Fund, Marshall County Drug Control Fund, Emergency 911 Fund, Solid Waste Authority Fund, Volunteer Fire Department Fund and COPS Grant Fund.

(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.

(12) Joint Venture.

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 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 \$10,000 for the joint venture in fiscal year 2009.

(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 \$49,966 for Communicare in fiscal year 2009.

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 \$666,770 for maintenance and support of the college in fiscal year 2009.

MARSHALL COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

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 \$23,000 for support of the district in fiscal year 2009.

(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, 2009 was 12% 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 years ending September 30, 2009, 2008 and 2007 were \$766,689, \$735,822 and \$624,666, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2009, Marshall County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
01/18/2011	3.08%	\$	30,422	Lease purchase	Ad valorem
10/04/2010	3.15%		25,384	Lease purchase	Ad valorem
01/04/2010	3.15%		71,635	Lease purchase	Ad valorem
02/01/2011	4.25%		60,100	Other loan	Ad valorem

MARSHALL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL COUNTY

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MARSHALL COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 8,099,368	8,093,850	8,093,850	
Licenses, commissions and other revenue	559,900	595,492	595,492	
Fines and forfeitures	245,000	270,912	270,912	
Intergovernmental revenues	993,000	1,495,883	1,495,883	
Charges for services	330,000	371,710	371,710	
Interest income	61,000	87,640	78,912	(8,728)
Miscellaneous revenues	113,000	182,196	204,147	21,951
Total Revenues	<u>10,401,268</u>	<u>11,097,683</u>	<u>11,110,906</u>	<u>13,223</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,738,834	4,948,337	4,951,577	(3,240)
Public safety	3,855,529	3,671,020	3,671,020	
Public works	770,975	790,679	790,679	
Health and welfare	966,263	884,645	884,645	
Culture and recreation	164,500	157,070	157,070	
Education	50,000	409,137	409,137	
Conservation of natural resources	98,821	84,740	84,740	
Economic development and assistance	243,050	264,598	264,598	
Total Expenditures	<u>11,887,972</u>	<u>11,210,226</u>	<u>11,213,466</u>	<u>(3,240)</u>
Excess of Revenues over (under) Expenditures	<u>(1,486,704)</u>	<u>(112,543)</u>	<u>(102,560)</u>	<u>9,983</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	25,000	42,537	34,943	(7,594)
Transfers out	(411,728)	(232,733)	(232,733)	
Total Other Financing Sources and Uses	<u>(386,728)</u>	<u>(190,196)</u>	<u>(197,790)</u>	<u>(7,594)</u>
Net Change in Fund Balance	(1,873,432)	(302,739)	(300,350)	2,389
Fund Balances - Beginning	<u>1,748,699</u>	<u>1,748,699</u>	<u>2,352,400</u>	<u>603,701</u>
Fund Balances - Ending	<u>\$ (124,733)</u>	<u>1,445,960</u>	<u>2,052,050</u>	<u>606,090</u>

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

MARSHALL COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Road Maintenance Fund  
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,139,695	4,120,766	4,120,766	
Road and bridge privilege taxes	400,000	426,082	426,082	
Licenses, commissions and other revenue	7,500	24,232	24,232	
Intergovernmental revenues	805,000	934,912	934,912	
Charges for services		308,235	308,235	
Interest income	20,000	37,584	37,584	
Miscellaneous revenues	37,500	57,516	60,232	2,716
Total Revenues	<u>5,409,695</u>	<u>5,909,327</u>	<u>5,912,043</u>	<u>2,716</u>
<b>EXPENDITURES</b>				
Current:				
Public works	6,250,139	4,678,405	4,678,405	
Education		117,145	117,145	
Debt service:				
Principal		61,743	61,743	
Interest		1,208	1,208	
Total Expenditures	<u>6,250,139</u>	<u>4,858,501</u>	<u>4,858,501</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(840,444)</u>	<u>1,050,826</u>	<u>1,053,542</u>	<u>2,716</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		29,616		(29,616)
Total Other Financing Sources and Uses	<u>0</u>	<u>29,616</u>	<u>0</u>	<u>(29,616)</u>
Net Change in Fund Balance	(840,444)	1,080,442	1,053,542	(26,900)
Fund Balances - Beginning	<u>1,069,011</u>	<u>691,310</u>	<u>686,585</u>	<u>(4,725)</u>
Fund Balances - Ending	<u>\$ 228,567</u>	<u>1,771,752</u>	<u>1,740,127</u>	<u>(31,625)</u>

The accompanying notes to the Required Supplementary 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, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 200,000	313,328	313,328	
Total Revenues	<u>200,000</u>	<u>313,328</u>	<u>313,328</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	200,000	313,328	313,328	
Total Expenditures	<u>200,000</u>	<u>313,328</u>	<u>313,328</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

MARSHALL COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2009

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, the Tax Assessor and the 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 unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	Road Maintenance Fund	Marshall County Engineering Fund
Budget (Cash Basis)	\$ (300,350)	1,053,542	0
Increase (Decrease)			
Net adjustments for revenue accruals	300,132	94,087	0
Net adjustments for expenditure accruals	(350,329)	(5,555)	0
GAAP Basis	\$ (350,547)	1,142,074	0

MARSHALL COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2009

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

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2009:

<u>Fund</u>	<u>Excess</u>
General Fund	\$ 3,240

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

MARSHALL COUNTY

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MARSHALL COUNTY

SPECIAL REPORTS

MARSHALL COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

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

Members of the Board of Supervisors  
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, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated April 20, 2011. 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. The report is qualified on the General Fund and governmental activities because the county did not record an asset or current year revenues for the solid waste accounts receivable, net of uncollectible accounts receivable, as required by accounting principles generally accepted in the United States of America. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion 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 as 09-1, 09-2, 09-3, 09-4, 09-5, 09-6 and 09-7 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 the 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, of the significant deficiencies described above, we consider items 09-1, 09-2, 09-3, 09-4 and 09-5 to be material weaknesses.

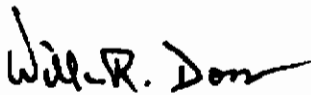
#### Compliance and Other Matters

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 09-4.

We also noted certain matters that we reported to the management of Marshall County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated April 20, 2011, included within this document.

Marshall County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Marshall County's responses 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 specified parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 20, 2011



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

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

Members of the Board of Supervisors  
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, 2009. 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.

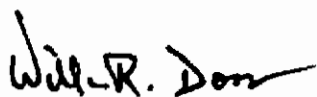
The Board of Supervisors of Marshall County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing 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.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive style with a prominent initial "W".

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 20, 2011

MARSHALL COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2009

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
12/08/2008	Telephone equipment	\$ 19,802	Tel-Tech	\$ 17,373	The equipment is superior and the history of the company is reliable.

MARSHALL COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2009

Schedule 2

Our test results did not identify any emergency purchases.

MARSHALL COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2009

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

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

### 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, 2009, 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 April 20, 2011, 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 that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations and your responses are disclosed below:

#### Board of Supervisors.

##### 1. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors. Interfund transfers and loans were made without board orders spread upon the minutes. Failure to have proper authority for transfers or loans spread upon the board minutes could result in illegal transfers or loans.

##### Recommendation

The Board of Supervisors should spread on its minutes orders relative to transfers or loans.

### Board of Supervisors' Response

It had been understood between the Board of Supervisors and the Chancery Clerk's Office that approval of the budget granted approval to move monies as directed by the budget. We understand that this is too general and will begin to spread on the minutes transfers, budget amendments, short-term loans, etc. We want it noted that in the past none of these things were done without the board being made aware of changes; it just wasn't spread in the minutes. As FY 2010 is over, we cannot go back and change those minutes but will begin with FY 2011 spreading this information on the minutes more specifically.

### 2. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on funds which did not have sufficient money to pay the warrants. At various times during the year, the following funds had negative cash balances:

- a. General Fund
- b. Domestic Violence Grant Fund
- c. Marshall County Drug Control Fund
- d. Emergency 911 Fund
- e. Community Heritage Preservation Grant Fund
- f. Lighthouse Plastics Debt Fund
- g. Home Program Fund
- h. Judicial Clearing Fund
- i. Payroll Clearing Fund
- j. Northwest Community College Fund

Failure to have sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

### Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

### Board of Supervisors' Response

We will strive to avoid negative cash balances at month end in all funds.

Sheriff.

### 3. Finding

Section 19-2-9, Miss. Code Ann. (1972), requires that any elected county officials who are authorized by law to employ shall adopt and maintain a system of personnel administration for their respective employees or shall adopt the system of personnel administration adopted by the Board of Supervisors. The personnel system adopted and any amendments thereto shall be filed with the Board of Supervisors. The Sheriff's Department was specifically excluded from the county's personnel policy and no other personnel policy was adopted. The failure to adopt a personnel policy has resulted in Marshall County not being in compliance with state law in terms of countywide personnel administration.

### Recommendation

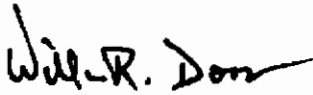
The Sheriff should ensure that there is a personnel policy in place or that his office is properly covered in the county's personnel policy.

Sheriff's Response

I, Kenny A. Dickerson, Sheriff of Marshall County, understand the above finding and agree to immediately comply in a manner that is lawful and in compliance with the laws of the State of Mississippi.

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.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 20, 2011

MARSHALL COUNTY

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**MARSHALL COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES**

MARSHALL COUNTY

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MARSHALL COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

**Financial Statements:**

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements:                              |             |
|    | Governmental activities   | Qualified   |
|    | Aggregate discretely presented component units  | Adverse     |
|    | General Fund  | Qualified   |
|    | Road Maintenance Fund   | Unqualified |
|    | Marshall County Engineering 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? | Yes         |
| 3. | Noncompliance material to the financial statements noted?                                 | Yes         |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

09-1. Finding

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

Recommendation

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

Board of Supervisors' Response

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

MARSHALL COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2009

Significant Deficiency - Material Weakness

09-2. Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include all required disclosures in the notes to the financial statements, proper classification, inclusion of all assets of the county and proper posting of transactions. We noted the following deficiencies in the financial statement preparation and reporting:

- a. Disclosures required by generally accepted accounting principles for commitments for tax increment financing were not presented in the notes to the financial statements. Generally accepted accounting principles require the notes to the financial statements to include a brief description of the tax increment financing and the county's share of the commitment. Failure to present all note disclosures required by generally accepted accounting principles resulted in incomplete notes to the financial statements. A note disclosure containing the required information was proposed to management and included in the notes to the financial statements with management's approval.
- b. Amounts reported for the Sheriff's Canteen Fund were reported as an Agency Fund. This fund does not meet the definition of an Agency Fund as described in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association. Failure to properly classify the canteen fund resulted in aggregate remaining fund information and the Governmental Activities opinion unit assets being understated in the amount of \$6,369, revenues understated by \$4,164, expenditures understated by \$3,581 and fund balance understated by \$5,786. Audit adjustments to correct this error were proposed to management and made to the financial statements with management's approval.
- c. Disclosures required by generally accepted accounting principles for future commitments with respect to unfinished capital projects were not presented in the notes to the financial statements. Generally accepted accounting principles require the notes to the financial statements to include a brief description of the capital project, the remaining financial commitment and the expected date of completion. Failure to present all note disclosures required by generally accepted accounting principles resulted in incomplete notes to the financial statements. A note disclosure containing the required information was proposed to management and included in the notes to the financial statements with management's approval.
- d. Capital asset gains and losses were not posted individually to the financial statements and infrastructure expenditures that were capitalized in the financial statements in previous years in error were posted as a current year deletion to capital assets instead of an adjustment. These errors resulted in an understatement of prior period adjustments in the amount of \$192,346, understated revenue in the amount of \$207,410 and understated expenditures in the amount of \$15,064 in the Governmental Activities opinion unit. Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.
- e. Accounting principles generally accepted in the United States of America require that accounts receivable be recognized as soon as the underlying exchange occurs. The county has not recorded an asset for solid waste accounts receivable, net of an allowance for uncollectible receivables, in the General Fund or the governmental activities Statement of Net Assets. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the General Fund and governmental activities.

## MARSHALL COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2009

#### Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes proper classification of funds, proper posting of adjustments to revenues, expenditures and prior period adjustments, inclusion of all assets of the county and presentation of the required note disclosures.

#### Board of Supervisors' Response

The Board of Supervisors will implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles and will make every effort to include proper classification of funds, proper posting of adjustments to revenues, expenditures and prior period adjustments, and inclusion of all assets of the county and presentation of the required note disclosures.

#### Significant Deficiency - Material Weakness

##### 09-3. Finding

An effective system of internal controls over the payment for garbage collection service should require sufficient documentation of accounts billed to the county by the garbage collection service provider and oversight of payments received and credited for the garbage collection service. Based upon audit procedures performed, the county did not have adequate controls in place to ensure that:

- a. The number of customers billed for solid waste collections is reconciled to the number of cans the county is being billed for by the garbage collection service provider. Analytical tests indicated there was an average of 2,493 cans billed to the county each month that were not being billed per the customer billing report provided by the garbage collection service provider. These billings to the county for cans that are not being billed to customers by the garbage collection service provider resulted in the county paying an additional \$312,686 in garbage costs during the 2009 fiscal year.
- b. The monies collected by the county on behalf of the garbage collection service provider are posted to the individual customer accounts by the garbage collection service provider. There is no system in place to verify that the monies collected by the county are properly credited to the customer accounts.
- c. Additions and deletions to the solid waste customer billing listing are identified individually and reviewed by the county for validity. The county is only notified of the total number of additions and deletions.
- d. The solid waste customer billing listing is reviewed by the county for inactive accounts billed to the county. We noted no evidence that county personnel reviewed the customer billing list to determine if the county was being billed for inactive accounts.
- e. Amounts reported as being collected by the garbage collection service provider and listed on the invoice to the county in computing the county's garbage collection expense are reconciled to the amounts collected per the billing and collection report of the garbage collection service provider. Audit procedures revealed discrepancies between the billing and collections report and the amounts reported as collected per the invoice to the county in the amount of \$26,731 resulting in the county paying an additional \$26,731 to the garbage collection service provider.

Due to lack of oversight by the county of the solid waste expenditures, the results of our audit procedures indicate the county has overpaid for garbage collection services during the 2009 fiscal year.

## MARSHALL COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2009

#### Recommendation

The county should implement controls over the payments for garbage collection service to ensure that:

- a. The number of customers billed for solid waste services is reconciled to the number of cans the county is being billing for on a monthly basis.
- b. The solid waste customer billing and collection report is reviewed on a monthly basis to ensure monies collected by the county are properly posted to the individual customer accounts.
- c. Additions and deletions to the solid waste customer billing listing is reviewed monthly by county personnel for validity.
- d. The solid waste customer billing listing is reviewed monthly by county personnel for inactive accounts.
- e. Amounts reported as being collected by the garbage collection service provider and listed on the invoice to the county in computing the county's garbage collection expense are reconciled to the amounts collected per the billing and collection report of the garbage collection service provider.

#### Board of Supervisors' Response

- a. The number of customers billed for solid waste services will be reconciled to the number of cans the county is being billed for on a monthly basis subject to the provisions of the contract regarding and agreed upon as part of the RFP and the Solid Waste Disposal Contract.
- b. The county has personnel in place to review the billing and collection reports on a monthly basis to ensure that monies collected by the county are posted to the individual customer accounts.
- c. The county has personnel in place to review and validate monthly additions and deletions to the solid waste customer billing listing.
- d. The county has personnel in place to review the solid waste customer billing listing on a monthly basis for inactive accounts.
- e. Amounts reported as being collected by the garbage collection service provider and listed on the invoice to the county in computing the county's garbage collection expense are reconciled to the amounts collected per the billing and collection report of the garbage collection service provider subject to the provisions of the Solid Waste Disposal Contract between RES and Marshall County.

## MARSHALL COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2009

#### Significant Deficiency - Material Weakness Material Noncompliance

##### 09-4. Finding

During our audit of Marshall County, we noted that the county had entered into a contractual/lease agreement in a prior year to make subsidy payments to a healthcare provider in relation to the operations of a hospital facility in the county.

The contractual agreement with the healthcare provider stipulated that Marshall County would pay subsidy payments not to exceed \$200,000 annually to the healthcare provider, provided that the healthcare provider furnished the county with satisfactory proof of payment, expenditure or provision documenting the actual amount of indigent care services provided in Marshall County as defined in the agreement. The agreement limited the annual subsidy payments from the county to such an amount as shall have been actually paid, expended or provided by the healthcare provider for indigent care services in Marshall County not to exceed \$200,000.

Audit procedures revealed the county paid the healthcare provider \$200,000 without obtaining any supporting documentation substantiating that the healthcare provider had actually paid, expended or provided this amount of indigent care services in Marshall County.

An effective system of internal control over the payment of expenditures for indigent care services should require supporting documentation for the expenditures.

Failure to obtain supporting documentation could result in the county paying for services for people who are not indigent or making a donation to the healthcare provider for services that were not actually provided.

##### Recommendation

The Board of Supervisors should ensure that adequate documentation is obtained from the healthcare provider documenting proof of payment, expenditure or provision of indigent care services in Marshall County prior to making any payments to the healthcare provider for indigent care.

##### Board of Supervisors' Response

The Board of Supervisors will make every effort to ensure that adequate documentation is obtained from the healthcare provider documenting proof of payment, expenditure or provisions of indigent care services in Marshall County prior to making any payments to the healthcare provider for indigent care, and consistent with the county's contract, the Local & Private Legislation, and the applicable HIPPA laws.

Justice Court Clerk.

#### Significant Deficiency - Material Weakness

##### 09-5. Finding

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

## MARSHALL COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2009

#### Recommendation

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

#### Justice Court Clerk's Response

The above referenced finding has been presented to the Board of Supervisors by Monet Autry, the Justice Court Clerk for Marshall County, Mississippi. After reviewing the finding and investigating the procedures, the Board of Supervisors responds as follows:

- a. Each deputy clerk for Justice Court is authorized to collect cash payments for fines and court costs. Additionally, each deputy clerk has a separate cash drawer which is reconciled daily.
- b. The Clerk is not authorized to receipt any money.
- c. At the end of each day, each deputy Clerk turns their money into the Clerk.
- d. The Clerk then checks the money and receipts and compares balances.
- e. The money is totaled for deposit by the Clerk, and the Clerk posts the amount to the cash journal.
- f. Two people, other than the Clerk, go to the bank to drop the bag and make the deposit.
- g. The Clerk checks the bank receipt to verify that the amount deposited was correct and that the bank properly credited the deposit.
- h. At the end of the month, the Clerk reconciles the bank statement, zeros out and turns the funds over to the Chancery Clerk's office for the county.

Based on the review of the internal controls at the Justice Court, it appears that a separation of duties exists regarding the taking and accounting for money. Additionally, since the account is reconciled and zeroed monthly with the excess cash being turned over to the county, it also appears that external oversight over the operations of the Justice Court offices is in place as well.

#### Auditor's Note

Per the internal control documentation prepared by the auditor based upon information provided by the Justice Court Clerk and signed by the Justice Court Clerk, the Justice Court Clerk performs the following duties:

- a. Opens and distributes the mail which includes monies for civil and criminal cases.
- b. Prints a daily listing that is used by the deputy clerks to balance their cash drawers.
- c. Balances the total receipts and collections after taking possession of all collections and receipts.

MARSHALL COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2009

- d. Prepares the deposit slip.
- e. Takes the deposit to the bank.
- f. Generates the cash journals and settlement checks from the computer system.
- g. Signs the settlement checks.
- h. Submits the settlement checks and reports to the Chancery Clerk's office.

As evidenced by these duties detailed in the internal control narrative signed by the Justice Court Clerk, the Justice Court Clerk has access to collections through opening the mail and balancing the collections each day, prepares and makes the bank deposits, prepares daily check-up sheet to balance total collections, posts the cash journals, reconciles the bank statements, generates the monthly settlement reports and writes the settlement checks. There is no evidence of any external oversight by anyone outside of this office.

County Administrator.

Significant Deficiency

09-6. Finding

An effective system of internal control should include an adequate separation of duties. Cash collection and disbursement functions in the Solid Waste office were not adequately separated for effective internal control. The Solid Waste Clerk has the authority to collect cash, prepare the settlement, prepare daily check-up sheets/payment report, and reconcile the delinquency reports in order to flag car tags. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The County Administrator should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Solid Waste office or that there is external oversight over the operations of the Solid Waste office.

County Administrator's Response

In response to internal control findings, steps have been taken to ensure an adequate separation of duties in the collection and disbursement functions of the Solid Waste office as recommended by the Office of State Audit.

MARSHALL COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2009

Significant Deficiency

09-7. Finding

An effective system of internal controls over the collection and disbursement of Solid Waste funds should require proper documentation and reconciliation of records. Based upon test work performed, the following items were noted:

- a. Daily receipts were not reconciled to deposits.
- b. Generic receipts were issued without any accounting for receipt numbers.
- c. Receipts were written for amounts collected at the solid waste provider even though no money is collected in the county in order to allow taxpayers to purchase car tags.
- d. There was no accounting for missing or voided receipts.
- e. Settlement reports were not itemized, nor were they reconciled to the daily sheets.

Failure to properly document and reconcile records could result in the loss of county funds.

Recommendation

The county should implement a system of internal control over the collection and disbursement of Solid Waste funds to ensure:

- a. Daily receipts are reconciled to deposits.
- b. Preprinted receipts are used and accounted for by receipt number.
- c. A receipt is written only when funds are collected by the county.
- d. Missing or voided receipts are accounted for and retained in the receipt book.
- e. Settlement reports are itemized and reconciled to the daily sheets.

County Administrator's Response

In response to test findings concerning controls and disbursements of Solid Waste funds, measures have been taken to comply with all recommendations by the Office of State Audit.