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HOLMES COUNTY, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS

For the Year Ended September 30, 2013

HOLMES COUNTY
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HOLMES COUNTY

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Holmes County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Holmes County, Mississippi, as of and for the year ended September 30, 2013, 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.

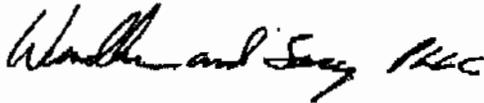
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Holmes County, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows 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 May 13, 2016, on our consideration of Holmes 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.

Holmes 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holmes County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste and the Schedule of Official Bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Reconciliation of Operating Costs of Solid Waste and the Schedule of Official Bonds have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste and the Schedule of Official Bonds are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Windham and Lacey, PLLC
May 13, 2016

HOLMES COUNTY

FINANCIAL STATEMENTS

HOLMES COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 5,463,639		5,463,639
Investments - restricted		2,184,335	2,184,335
Property tax receivable	6,331,583		6,331,583
Fines receivable (net of allowance for uncollectibles of \$1,684,006)	457,060		457,060
Internal balances	267,326	(267,326)	
Due from other governments	533,193		533,193
Capital leases receivable	439,234		439,234
Intergovernmental receivables	266,542	321,442	587,984
Other receivables	38,389	18,259	56,648
Deferred charge - issuance cost	44,122	98,109	142,231
Capital assets:			
Land and construction in progress	1,234,101	120,000	1,354,101
Other capital assets, net	16,691,552	4,168,055	20,859,607
Total Assets	31,766,741	6,642,874	38,409,615
LIABILITIES			
Claims payable	325,034	96,533	421,567
Amounts held in custody for others	121,971		121,971
Intergovernmental payables	112,933		112,933
Accrued interest payable	30,520	49,239	79,759
Deferred revenue	6,402,328		6,402,328
Long-term liabilities			
Due within one year:			
Capital debt	918,504	487,282	1,405,786
Non-capital debt	117,320		117,320
Due in more than one year:			
Capital debt	5,976,573	2,700,070	8,676,643
Non-capital debt	700,149		700,149
Total Liabilities	14,705,332	3,333,124	18,038,456
NET POSITION			
Invested in capital assets, net of related debt	11,030,576	1,100,703	12,131,279
Restricted net position:			
Expendable:			
General government	237,449		237,449
Debt service	455,305		455,305
Public safety	678,410	2,209,047	2,887,457
Public works	1,621,304		1,621,304
Economic development	375,254		375,254
Health & welfare	132		132
Unemployment compensation	20,000		20,000
Nonspendable	2,888,322		2,888,322
Unrestricted	(245,343)		(245,343)
Total Net Position	\$ 17,061,409	3,309,750	20,371,159

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

HOLMES COUNTY
Statement of Activities
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 3,406,751	399,909	214,662	5,000	(3,001,842)		(3,001,842)
Public safety	1,803,662	469,995	669,526		(1,119,005)		(1,119,005)
Public works	5,190,813	548	219,762	2,735,827	(1,784,912)		(1,784,912)
Health and welfare	374,587				(154,825)		(154,825)
Culture and recreation	5,000				(5,000)		(5,000)
Conservation of natural resources	99,810		11,962		(99,810)		(99,810)
Economic development and assistance	346,565				(334,603)		(334,603)
Interest on long-term debt	223,133				(223,133)		(223,133)
Total Governmental Activities	11,450,321	870,452	1,115,912	2,740,827	(6,723,130)	0	(6,723,130)
Business-type Activities:							
Regional jail	2,822,617	3,457,275	0	0	0	634,658	634,658
Total Business-type Activities	2,822,617	3,457,275	0	0	0	634,658	634,658
Total Primary Government	\$ 14,272,938	4,327,727	1,115,912	2,740,827	(6,723,130)	634,658	(6,088,472)
General revenues:							
Taxes:							
Property taxes					\$ 6,271,334		6,271,334
Road & bridge privilege taxes					200,607		200,607
Grants & contributions not restricted to specific programs					325,021		325,021
Unrestricted investment income					176,442	152	176,594
Miscellaneous					612,363	92,867	705,230
Total General Revenues					7,585,767	93,019	7,678,786
Changes in Net Position					862,637	727,677	1,590,314
Net Position - Beginning					16,190,961	2,582,073	18,773,034
Prior Period Adjustments					7,811		7,811
Net position - Beginning, as Restated					16,198,772	2,582,073	18,780,845
Net Position - Ending					\$ 17,061,409	3,309,750	20,371,159

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

HOLMES COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2013

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Engineer State Aid	Other Governmental Funds	
ASSETS				
Cash	\$ 2,087,496	4,849	3,371,294	5,463,639
Property tax receivable	4,096,959		2,234,624	6,331,583
Fines receivable (net of allowance for uncollectibles of \$1,684,006)	457,060			457,060
Capital lease receivable			439,234	439,234
Intergovernmental Receivables	102,010	28,065	136,467	266,542
Other receivables	5,927		32,462	38,389
Due from other funds	574,893		96,385	671,278
Advances to other funds	533,193			533,193
Total Assets	\$ 7,857,538	32,914	6,310,466	14,200,918
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 152,632	9,933	162,469	325,034
Amounts held in custody for others	111,247		10,724	121,971
Intergovernmental payables	112,933			112,933
Due to other funds	38,385		365,567	403,952
Deferred revenue	4,554,019		2,673,858	7,227,877
Total Liabilities	4,969,216	9,933	3,212,618	8,191,767
Fund balances:				
Nonspendable:				
Advances	533,193			533,193
Restricted for:				
General Government			237,449	237,449
Public Safety			678,410	678,410
Public Works		22,981	1,598,323	1,621,304
Economic Development			375,254	375,254
Health & Welfare			132	132
Debt Service			485,825	485,825
Unemployment Compensation			20,000	20,000
Unassigned	2,355,129		(297,545)	2,057,584
Total Fund Balances	2,888,322	22,981	3,097,848	6,009,151
Total Liabilities and Fund Balances	\$ 7,857,538	32,914	6,310,466	14,200,918

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

HOLMES COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2013

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,009,151
Amounts reported for governmental services in the Statement of Net Position (Exhibit 1) 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 \$8,221,075.	17,925,653
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	457,060
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,712,546)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	368,489
Bond issuance cost is deferred in the Statement of Net Position and amortized over the terms of the bonds.	44,122
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the funds.	<u>(30,520)</u>
Total Net Position - Governmental Activities	\$ <u>17,061,409</u>

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

HOLMES COUNTY
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2013

Exhibit 4

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Engineer State Aid		
REVENUES				
Property taxes	\$ 4,137,307		2,134,027	6,271,334
Road & bridge privilege taxes			200,607	200,607
Licenses, commissions, & other revenue	129,341		27,114	156,455
Fines and forfeitures	201,117			201,117
Intergovernmental revenues	411,556	2,766,274	1,004,728	4,182,558
Charges for services	67,446		442,469	509,915
Interest income	163,393		13,049	176,442
Miscellaneous revenues	329,936		113,470	443,406
Total Revenues	5,440,096	2,766,274	3,935,464	12,141,834
EXPENDITURES				
Current:				
General government	2,939,110		472,482	3,411,592
Public safety	1,501,985		356,903	1,858,888
Public works	10,031	2,727,273	3,511,656	6,248,960
Health & welfare	320,477		14,481	334,958
Culture & recreation	5,000			5,000
Conservation of natural resources	99,810			99,810
Economic development assistance	165,917		185,327	351,244
Debt service:				
Principal			1,330,924	1,330,924
Interest			230,332	230,332
Bond issue cost			12,196	12,196
Total Expenditures	5,042,330	2,727,273	6,114,301	13,883,904
Excess of Revenue Over (undcr) Expenditures	397,766	39,001	(2,178,837)	(1,742,070)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			1,767,732	1,767,732
Proceeds from sale of capital assets			312,062	312,062
Transfers in	5,470		190,874	196,344
Transfers out	(190,874)		(5,470)	(196,344)
Lease principal payments			27,199	27,199
Total Other Financing Sources & Uses	(185,404)	0	2,292,397	2,106,993
Net Changes in Fund Balance	212,362	39,001	113,560	364,923
Fund Balance - Beginning	2,662,419	(16,020)	2,982,853	5,629,252
Prior Period Adjustments	13,541		1,435	14,976
Fund Balance - Beginning, as Restated	2,675,960	(16,020)	2,984,288	5,644,228
Fund Balances - Ending	\$ 2,888,322	22,981	3,097,848	6,009,151

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

HOLMES COUNTY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2013

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 364,923
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,125,706 exceeded depreciation, \$1,040,065 in the current period.	1,085,641
In the statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$157,760 and the proceeds from the disposition of \$312,062 in the current period.	(154,302)
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.	5,260
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(3,093)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$1,767,732 exceeded debt repayments of \$1,330,924.	(436,808)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The issuance cost on bonds	12,196
The amortization of issuance cost on bonds	(3,376)
The amount of decrease in accrued interest payable	19,395
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	<u>(27,199)</u>
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 862,637</u>

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

HOLMES COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2013

Exhibit 5

	Business-type Activities - Enterprise Fund
	Holmes-Humphreys Regional Correctional Facility Fund
ASSETS	
Current assets:	
Investments - restricted	\$ 2,184,335
Other receivables	18,259
Intergovernmental receivables	321,442
Total Current Assets	<u>2,524,036</u>
Noncurrent assets:	
Deferred charge - issuance cost	98,109
Capital assets:	
Land and construction in progress	120,000
Other capital assets, net	4,168,055
Total Noncurrent Assets	<u>4,386,164</u>
Total Assets	<u>6,910,200</u>
LIABILITIES	
Current liabilities:	
Claims payable	96,533
Accrued interest payable	49,239
Due to Governmental Funds	267,326
Capital debt:	
General obligations bonds payable	82,456
Limited obligations bonds payable	390,000
Leased property under capital lease	14,826
Total Current Liabilities	<u>900,380</u>
Noncurrent liabilities:	
Capital debt:	
General obligations bonds payable	85,070
Limited obligations bonds payable	2,615,000
Total Noncurrent Liabilities	<u>2,700,070</u>
Total Liabilities	<u>3,600,450</u>
NET POSITION	
Invested in capital assets, net of related debt	1,100,703
Restricted for:	
Public safety	2,209,047
Total Net Position	<u>\$ 3,309,750</u>

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

HOLMES COUNTY

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
For the Year Ended September 30, 2013

Exhibit 6

	Business-type Activities - Enterprise Fund
	<u>Holmes-Humphreys Regional Correctional Facility Fund</u>
Operating Revenues	
Charges for services	\$ 3,457,275
Miscellaneous	92,867
Total Operating Revenues	<u>3,550,142</u>
Operating Expenses	
Personal services	1,526,431
Contractual services	379,680
Materials and supplies	630,660
Depreciation expense	123,975
Indirect administrative cost	68,559
Total Operating Expenses	<u>2,729,305</u>
Operating Income (Loss)	<u>820,837</u>
Nonoperating Revenues (Expenses)	
Interest income	152
Interest expense	(76,855)
Bond issuance expense	(16,457)
Net Nonoperating Revenue (Expenses)	<u>(93,160)</u>
Changes in Net Position	727,677
Net Position - Beginning	<u>2,582,073</u>
Net Position - Ending	<u>\$ 3,309,750</u>

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

HOLMES COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2013

Exhibit 7

	Business-type Activities - Enterprise Fund
	Holmes-Humphreys Regional Correctional Facility Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,424,882
Payments to suppliers	(1,031,137)
Payments to employees	(1,534,166)
Payments to general fund for indirect costs	(68,559)
Other operating cash receipts	84,078
Net Cash Provided (Used) by Operating Activities	<u>875,098</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of fixed assets	(5,800)
Interfund loans made	267,326
Repaid interfund loans	(42,598)
Principal paid on long-term debt	(473,718)
Interest paid on debt	(129,161)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(383,951)</u>
Cash Flows From Investing Activities	
Purchase of investments	(529,589)
Interest and dividends on investments	152
Net Cash Provided (Used) by Investing Activities	<u>(529,437)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(38,290)
Cash and Cash Equivalents at Beginning of Year	<u>38,290</u>
Cash and Cash Equivalents at End of Year	<u>\$ 0</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 820,837
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	123,975
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivable	(33,559)
(Increase) decrease in other receivables	(18,259)
Increase (decrease) in payable	(17,896)
Total Adjustments	<u>54,261</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 875,098</u>

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

HOLMES COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2013

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>662,434</u>
Total Assets	\$ <u>662,434</u>
LIABILITIES	
Advances from Other Funds	\$ 533,193
Amounts held in custody for others	12,536
Intergovernmental payables	<u>116,705</u>
Total Liabilities	\$ <u>662,434</u>

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

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Holmes 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 Holmes County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

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/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

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

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities is 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.

Engineer State Aid Fund - This fund is used to account revenues and expenditures for construction and maintenance of roads and bridges.

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

The county reports the following major Proprietary Fund:

Holmes-Humphreys Regional Correctional Facility Fund (HHRCF) - Accounts for the county's activities of operating the correctional facility.

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 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.

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the 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.

F. Receivables.

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

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Restricted Assets.

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

I. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Holmes County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 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.

J. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

K. Equity Classifications.

Government-wide Financial Statements:

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

Unrestricted net position - All other net positions not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Fund Financial Statements:

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

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

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

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

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

L. 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.

M. 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

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Governmental Activities:	
To correct old balance in error, due to local governments	\$ 13,541
To correct prior year accrual	1,435
To correct errors in capital assets, net of accumulated depreciation	<u>(7,165)</u>
Total prior period adjustments	<u>\$ 7,811</u>

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

<u>Explanation</u>	<u>Amount</u>
Governmental Activities:	
To correct old balance in error, due to local governments	\$ 13,541
To correct prior year accrual	<u>1,435</u>
Total prior period adjustments	<u>\$ 14,976</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2013, was \$6,126,073 and the bank balance was \$6,835,022. 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 Depository Insurance Corporation.

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

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Investments:

Investments balances at September 30, 2013, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	Less than one year	\$ <u>2,184,335</u>	AAAm
Total		\$ <u>2,184,335</u>	

Interest Rate Risk. The county does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year. The average weighted maturity of the securities in the Hancock Horizon Treasury Securities Money Market Fund was less than one year.

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

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. These investments are held by the Hancock Bank trust department. All of the county's investments are uninsured and unregistered. The investment in the Hancock Horizon Treasury Money Market Mutual Funds is not backed by the full faith and credit of the federal government.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. Government, investments in mutual funds or external investment pools. The county places no limit on the amount the county may invest in any one issuer.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013.

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 307,567
General	Enterprise Fund	267,326
Other Governmental Funds	General	38,385
Other Governmental Funds	Other Governmental Funds	58,000
Total		<u>\$ 671,278</u>

The receivable to the General Fund from Other Governmental Funds represents amounts loaned other funds for grant programs that have not been reimbursed as of September 30, 2013. The receivable to the Enterprise Fund from the General Fund represents amounts loaned for repairs to the facility, until insurance proceeds are received. The receivable to the Agency Fund from the General Fund represents funds deposited into the county clearing account.

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

The receivable to Other Governmental Funds from the General Fund represents the tax revenue collected but not settled until October, 2014. The receivable to Other Governmental Funds from Other Governmental Funds represents loans to meet obligations timely. The receivable to the Agency Fund from Other Governmental Funds represents funds deposited into the county clearing account. All interfund balances are expected to be repaid within one year from the date of the financial statements

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency Fund	\$ 533,193

The receivable to the Agency Fund from the General Fund represents funds deposited into the county clearing account.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 5,470
Other Governmental Funds	General Fund	<u>190,874</u>
Total		<u>\$ 196,344</u>

The principal purpose of interfund transfers was to provide funds for materials for law library, cover operating expense of road funds, and close out old accounts. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 60,370
State timber severance	991
State unemployment refund	4,025
Reimbursement for city garbage pickup	92,882
State heavy tag license	4,444
State Department of Human Services	3,796
Youth court	1,003
Mississippi Emergency Management	27,381
DUI grant	10,963
Law library fees from Humphreys County	682
Privilege tax	2,763
Motor vehicle fuel tax distribution	27,020
Harvest permits	1,432
Overweight fines	725
State aid engineer fees	<u>28,065</u>
Total Governmental Activities	<u>\$ 266,542</u>

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

<u>Description</u>	<u>Amount</u>
Business-type Activities:	
Reimbursement for housing state inmates	\$ 297,190
Reimbursement for housing city inmates	<u>24,252</u>
Total Business-type Activities	<u>\$ 321,442</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

Governmental Activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
<u>Non Depreciable Capital Assets</u>					
Land	\$ 287,420	16,529			303,949
Construction in progress	2,304,525	733,301		(2,107,674)	930,152
Total Non Depreciable Capital Assets	<u>2,591,945</u>	<u>749,830</u>	<u>0</u>	<u>(2,107,674)</u>	<u>1,234,101</u>
<u>Depreciable Capital Assets</u>					
Infrastructure	8,578,747			720,232	9,298,979
Buildings	5,775,748			1,387,442	7,163,190
Mobile equipment	4,410,911	239,485	507,444	438,919	4,581,871
Furniture and equipment	656,981	71,659			728,640
Leased property under capital leases	2,712,651	1,064,732	126,870	(510,566)	3,139,947
Total Depreciable Capital Assets	<u>22,135,038</u>	<u>1,375,876</u>	<u>634,314</u>	<u>2,036,027</u>	<u>24,912,627</u>
Less accumulated depreciation for:					
Infrastructure	1,630,072	265,227			1,895,299
Buildings	1,929,708	123,715			2,053,423
Mobile equipment	3,213,152	286,160	434,339	130,022	3,194,995
Furniture and equipment	456,976	54,888			511,864
Leased property under capital leases	495,596	310,075	45,673	(194,504)	565,494
Total accumulated depreciation	<u>7,725,504</u>	<u>1,040,065</u>	<u>480,012</u>	<u>(64,482)</u>	<u>8,221,075</u>
Total depreciable capital assets - net	<u>14,409,534</u>	<u>335,811</u>	<u>154,302</u>	<u>2,100,509</u>	<u>16,691,552</u>
Governmental Activities Capital Assets - Net \$	<u>17,001,479</u>	<u>1,085,641</u>	<u>154,302</u>	<u>(7,165)</u>	<u>17,925,653</u>

* These adjustments are to delete capital assets which should have been deleted in prior years, to transfer completed construction in progress and to transfer paid out capital leases.

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Business-type Activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments *	Balance Sept. 30, 2013
Non Depreciable Capital Assets					
Land	\$ 120,000				120,000
Total Non Depreciable Capital Assets	120,000	0	0	0	120,000
Depreciable Capital Assets:					
Buildings	5,333,915				5,333,915
Improvements other than buildings	36,149				36,149
Mobile equipment	155,259				155,259
Furniture and equipment	66,411	5,800			72,211
Leased property under capital lease	51,626				51,626
Total depreciable capital assets	5,643,360	5,800	0	0	5,649,160
Less accumulated depreciation for:					
Buildings	1,153,868	106,678			1,260,546
Improvements other than buildings	6,507	1,627			8,134
Mobile equipment	139,734				139,734
Furniture and equipment	38,436	6,377			44,813
Leased property under capital lease	18,585	9,293			27,878
Total accumulated depreciation	1,357,130	123,975	0	0	1,481,105
Total depreciable capital assets - net	4,286,230	(118,175)	0	0	4,168,055
Business-type Activities Capital Assets - Net	\$ 4,266,780	(118,175)	0	0	4,288,055

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by 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, 2013 to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(8) Capital Leases.

As Lessor:

The county leases the following property as of September 30, 2013:

<u>Classes of Property</u>		<u>Amount</u>
Buildings	\$	495,000
Land		<u>55,000</u>
Total	\$	<u>550,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2013, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 21,539	8,962
2015	26,555	10,046
2016	27,365	9,238
2017	28,198	8,405
2018	29,056	7,548
2019 - 2023	159,084	23,932
2024 - 2028	<u>76,692</u>	<u>2,614</u>
Total	\$ <u>368,489</u>	<u>70,745</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ <u>3,139,947</u>	<u>51,626</u>
Total	3,139,947	51,626
Less: Accumulated depreciation	<u>565,494</u>	<u>27,878</u>
Leased Property under Capital Leases	\$ <u>2,574,453</u>	<u>23,748</u>

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

The following is a schedule by years of the total payments due as of September 30, 2013:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 492,096	43,010	14,826	209
2015	748,931	32,904		
2016	939,849	14,600		
2017	198,392	3,501		
2018	27,906	554		
2019	7,085	30		
Total	<u>\$ 2,414,259</u>	<u>94,599</u>	<u>14,826</u>	<u>209</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
District 5 road and bridge	\$ 60,000	2.25%	12-14
District 2 road and bridge	90,000	4.10%	09-16
District 4 road and bridge	105,000	2.95%	09-15
County building bond	1,655,000	3.75/5.125%	09-18
County road and building	1,685,000	3.10/4.25%	08-25
District 3 road and bridge	161,668	2.13%	06-17
District 4 road and bridge	121,251	2.13%	06-17
District 4 road and bridge	600,000	2.30/3.20%	08-23
Total General Obligation Bonds	<u>\$ 4,477,919</u>		
B. Capital Leases:			
Kobelco excavator	\$ 87,949	3.32%	09-14
Kobelco excavator	92,900	3.45%	12-14
Kubota tractor and cutter	31,687	1.96%	07-16
Volvo motor grader	145,768	1.90%	07-15
Volvo motor grader	145,768	1.90%	07-15
Kubota tractor	26,507	1.96%	07-16
Kubota tractor and bush hog	41,092	2.19%	08-17
Mack truck	104,525	1.94%	07-16
Volvo motor grader	151,192	2.01%	11-15
JD 6430 tractor	39,780	1.80%	05-16
Caterpillar motor grader	50,267	2.12%	06-17
Mack truck	104,525	1.94%	07-16
Caterpillar motor grader	160,633	2.12%	07-17
2 Mack trucks	209,049	1.94%	07-16
E-911 system	137,843	2.51%	12-18

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
2 Garbage trucks	330,422	1.83%	02-16
Garbage truck	165,198	1.78%	02-16
2 Mack dump trucks	123,000	2.75%	10-16
JD tractor w/tiger boom	88,718	1.96%	02-17
JD tractor w/tiger boom	88,718	1.96%	02-17
JD tractor w/tiger boom	<u>88,718</u>	1.96%	02-17
Total Capital Leases	<u>\$ 2,414,259</u>		
C. Other Loans:			
MDEZA loan	\$ 450,000	0.00%	03-12
Fire truck	2,899	2.00%	02-14
Capital improvement loan	<u>367,469</u>	3.00%	11-25
Total Other Loans	<u>\$ 820,368</u>		
Business-type Activities:			
A. Capital Leases:			
2 Ford Crown Victorias	\$ 14,826	3.11%	08-14
Total Capital Leases	<u>\$ 14,826</u>		
B. General Obligation Bonds:			
HHRCF Building	\$ 167,526	3.17%	03-15
Total General Obligation Bonds	<u>\$ 167,526</u>		
C. Limited Obligation Bonds:			
Urban renewal revenue bonds	\$ 3,005,000 *	3.00/4.00%	06-20
Total Limited Obligation Bonds	<u>\$ 3,005,000</u>		

* Limited obligation urban renewal revenue refunding bonds were issued with a face value of \$4,210,000 for the purpose of the refunding and redemption of the outstanding principal of the county's Urban Renewal Revenue Bonds Series 1999, dated November 1, 1999, at par plus accrued interest. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith of the county. The sole source of payment for the revenue bonds is income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners.

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2014	\$ 423,509	158,124	120,219	10,923
2015	439,969	143,147	376,492	10,112
2016	361,459	127,515	27,297	9,306
2017	342,982	113,879	28,128	8,476
2018	285,000	101,666	28,983	7,620
2019 - 2023	1,610,000	348,266	158,687	24,329
2024 - 2028	1,015,000	90,231	80,562	2,814
Total	\$ 4,477,919	1,082,828	820,368	73,580

Business-type Activities:

Year Ending September 30	General Obligation		Limited Obligation	
	Principal	Interest	Principal	Interest
2014	\$ 82,456	5,311	390,000	104,887
2015	85,070	2,697	400,000	92,037
2016			415,000	77,775
2017			425,000	62,756
2018			440,000	46,200
2019 - 2023			935,000	37,700
Total	\$ 167,526	8,008	3,005,000	421,355

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, 2013, the amount of outstanding debt was equal to 3.53% of the latest property assessments.

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 4,351,980	600,000	474,061		4,477,919	423,509
Capital leases	1,963,406	1,167,732	716,879		2,414,259	492,096
Other loans	960,352		139,984		820,368	120,219
Total	\$ 7,275,738	1,767,732	1,330,924	0	7,712,546	1,035,824
Business-type Activities:						
General obligation bonds	\$ 247,448		79,922		167,526	82,456
Capital leases	33,622		18,796		14,826	14,826
Limited obligation bonds	3,380,000		375,000		3,005,000	390,000
Total	\$ 3,661,070	0	473,718	0	3,187,352	487,282

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2013:

Fund	Deficit Amount
AOC/Drug-DUI Fund	\$ 68,105
Rural Development Business Enterprise Grant	6,267
Law Library	4,414
Municipal Solid Waste Fund	134,850
District 2 Road Fund	20,926
District 3 Road Fund	12,801
District 4 Road Fund	39,826
District 5 Road Fund	2,894
Lexington Homes I & S Fund	4,981
County Building/Road Fund	2,481

(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.

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(12) Related Organization.

The Holmes County Board of Supervisors is responsible for appointing a voting majority of the members on the board of the Sweethome Water and Sewer District, but the county's accountability for this organization does not extend beyond making board appointments.

(13) Joint Venture.

The county participates in the following joint venture:

Holmes County entered into an interlocal agreement with Claiborne, Grenada, Humphreys, Leflore and Tunica Counties to provide a multi-jurisdictional drug enforcement task force known as North Central Narcotics Task Force. Most of the funding is provided by a federal grant, with the local entities contributing a minimum of 25 percent. Holmes County contributed \$0 to the task force in fiscal year 2013.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Holmes County Board of Supervisors appoints six of the 22 members of the board of trustees. The county appropriated \$491,831 for maintenance and support of the college in fiscal year 2013.

The Mid-Mississippi Regional Library System operates in a district composed of the Counties of Attala, Holmes, Leflore, Montgomery and Winston. The Holmes County Board of Supervisors appoints one of the five members of the library board of directors. The county appropriated \$140,912 for maintenance and support of the library in fiscal year 2013.

North Central Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yazoo. The Holmes County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$58,500 to the district in fiscal year 2013.

Region Six Mental Health/Mental Retardation Center Life Help operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Holmes County Board of Supervisors appoints one of the eight members of the district board of commissioners. Holmes County appropriated \$26,800 for maintenance and support of the center in fiscal year 2013.

The Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Holmes County Board of Supervisors appoints one of the 21 members of the district board of commissioners. The county levied a .71 mill tax in support of the district in fiscal year 2013.

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(15) Defined Benefit Pension Plan.

Plan Description. Holmes 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 calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.0% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% 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, 2013, 2012, and 2011 were \$598,819, \$530,645, and \$497,651 respectively, equal to the required contributions for each year.

(16) Subsequent events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Holmes County evaluated the activity of the county through May 15, 2016, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
11/13/2013	2.06	161,644	Lease purchase	Ad valorem tax
11/13/2013	2.06	161,644	Lease purchase	Ad valorem tax
3/11/2014	2.22	59,157	Lease purchase	Ad valorem tax
4/17/2014	2.26	269,902	Lease purchase	Ad valorem tax
8/12/2014	1.48	150,000	Negotiable Note	Ad valorem tax
9/10/2014	2.24	71,300	Lease purchase	Ad valorem tax
9/12/2014	1.9	250,000	GO Road & Bridge Bonds	Ad valorem tax
9/12/2014	1.9	200,000	GO Road & Bridge Bonds	Ad valorem tax
9/12/2014	1.625	250,000	GO Road & Bridge Bonds	Ad valorem tax
12/1/2014	2.29	71,300	Lease purchase	Ad valorem tax
3/2/2015	2.19	51,483	Lease purchase	Ad valorem tax
4/20/2015	1.96	51,208	Lease purchase	Ad valorem tax
4/22/2015	2.27	49,900	Lease purchase	Ad valorem tax
8/7/2015	2.24	125,000	Lease purchase	Ad valorem tax
8/7/2015	2.24	125,000	Lease purchase	Ad valorem tax
11/17/2015	2.24	125,000	Lease purchase	Ad valorem tax

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

(16) Subsequent events.

(continued)

On April 4, 2016, the Board of Supervisors authorized the issuance of up to \$2,500,000 G. O. Road and Bridge Bonds, and on February 1, 2016 authorized the issuance of a \$150,000 note for District 5.

HOLMES COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

HOLMES COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,029,681	4,128,460	4,128,460	
Licenses, commissions and other revenue	151,075	135,029	135,029	
Fines and forfeitures	184,100	211,111	211,111	
Intergovernmental revenues	512,011	449,783	449,783	
Charges for services	48,000	68,498	68,498	
Interest income	140,200	163,772	163,772	
Miscellaneous revenues	136,141	383,842	383,842	
Total Revenues	<u>5,201,208</u>	<u>5,540,495</u>	<u>5,540,495</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,046,596	3,142,370	3,142,370	
Public safety	1,412,130	1,516,190	1,516,190	
Public works	34,856	10,131	10,131	
Health and welfare	365,171	324,211	324,211	
Culture & recreation		5,000	5,000	
Conservation of natural resources	103,466	91,744	91,744	
Economic development and assistance	134,789	156,790	156,790	
Total Expenditures	<u>5,097,008</u>	<u>5,246,436</u>	<u>5,246,436</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>104,200</u>	<u>294,059</u>	<u>294,059</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	323,000	579,696	579,696	
Other financing uses	(383,000)	(166,000)	(166,000)	
Total Other Financing Sources and Uses	<u>(60,000)</u>	<u>413,696</u>	<u>413,696</u>	<u>0</u>
Net Change in Fund Balance	44,200	707,755	707,755	0
Fund Balances - Beginning	<u>1,120,000</u>	<u>1,685,292</u>	<u>1,685,042</u>	<u>(250)</u>
Fund Balances - Ending	<u>\$ 1,164,200</u>	<u>2,393,047</u>	<u>2,392,797</u>	<u>(250)</u>

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

HOLMES COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Engineer State Aid
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 310,000	261,327	261,327	
Total Revenues	<u>310,000</u>	<u>261,327</u>	<u>261,327</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	242,000	240,458	240,458	
Total Expenditures	<u>242,000</u>	<u>240,458</u>	<u>240,458</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>68,000</u>	<u>20,869</u>	<u>20,869</u>	<u>0</u>
Net Change in Fund Balancee	68,000	20,869	20,869	0
Fund Balances - Beginning	<u>6,561</u>	<u>(16,020)</u>	<u>(16,020)</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 74,561</u>	<u>4,849</u>	<u>4,849</u>	<u>0</u>

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

HOLMES COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2013

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>General Fund</u>	<u>Engineer State Aid Fund</u>
Budget (Cash Basis)	\$ 707,755	20,869
Increase (Decrease)		
Net adjustments for revenue accruals	(674,625)	2,504,947
Net adjustments for expenditure accruals	<u>179,232</u>	<u>(2,486,815)</u>
GAAP Basis	<u>\$ 212,362</u>	<u>39,001</u>

HOLMES COUNTY

SUPPLEMENTAL INFORMATION

HOLMES COUNTY
 Reconciliation of Operating Costs of Solid Waste
 For the Year Ended September 30, 2013

Operating Expenditures, Cash Basis:

Salaries	\$	125,710
Expendable Commodities:		
Gasoline and petroleum products		68,589
Tires and tubes		4,081
Repair parts		7,496
Supplies		4,512
Insurance on equipment		15,000
Contractual services		7,666
Solid waste disposal fees		50,531
Other misc.		3,405
Telephone		1,238
Principal retirement and interest		<u>176,007</u>
Solid Waste Cash Basis Operating Expenditures		<u>464,234</u>
Full Cost Expenses:		
Indirect administrative costs		4,480
Depreciation on equipment		59,091
Net effect of other accrued expenses		<u>(3,016)</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>524,788</u></u>

HOLMES COUNTY

OTHER INFORMATION

Holmes County
Schedule of Official Bonds
FYE 9/30/13

NAME	POSITION	COMPANY	BOND
Leonard "Hamp" Hampton	Supervisor District 1	Western Surety	\$100,000
James Young	Supervisor District 2	Brierfield	\$100,000
Debra Mabry	Supervisor District 3	Brierfield	\$100,000
Larry Davis	Supervisor District 4	Brierfield	\$100,000
Willie Townsend	Supervisor District 5	Brierfield	\$100,000
Henry Luekett	Chancery Clerk	Brierfield	\$100,000
Carolyn Pepper	Deputy Chancery Clerk	Brierfield	\$ 50,000
Mary Ann Olive	Deputy Chancery Clerk	Western Surety	\$ 50,000
Charlie Joiner	County Administrator	Western Surety	\$100,000
Caldonia Wiley	Bookkeeper	Brierfield	\$ 50,000
Vanessa Truss	Purchase Clerk	Brierfield	\$ 50,000
Charlie Luekett	Receiving Clerk	Brierfield	\$ 50,000
Alphonzo Greer	Receiving Clerk	Western Surety	\$ 50,000
Jerissia D. Quinn	Receiving Clerk	Travelers	\$ 50,000
Alanda Taylor	Receiving Clerk	Brierfield	\$ 50,000
Lakeisha Baker	Assistant Receiving Clerk	Brierfield	\$ 50,000
Lillie B. Green	Assistant Receiving Clerk	Brierfield	\$ 50,000
Willie March	Assistant Receiving Clerk	Brierfield	\$ 50,000
Alfonso Mayfield	Assistant Receiving Clerk	Brierfield	\$ 50,000
Mary R. McGee	Assistant Receiving Clerk	Brierfield	\$ 50,000
John David Montgomery, Jr.	Assistant Receiving Clerk	Brierfield	\$ 50,000
Betsy K. Padgett	Assistant Receiving Clerk	Brierfield	\$ 50,000
Nathaniel Robinson	Assistant Receiving Clerk	Brierfield	\$ 50,000
Roosevelt Stroud	Assistant Receiving Clerk	Brierfield	\$ 50,000
L. C. Tate	Assistant Receiving Clerk	Brierfield	\$ 50,000
Brenda P. Travis	Assistant Receiving Clerk	Brierfield	\$ 50,000
Verkeisha Wilkes	Assistant Receiving Clerk	Brierfield	\$ 50,000
Charlie Joiner	Inventory Control Clerk	Western Surety	\$ 75,000
Willie March	Sheriff	Brierfield	\$100,000
Willie Anderson	Constable	Brierfield	\$ 50,000
Jerry Bankhead	Constable	Brierfield	\$ 25,000
Sharkey Ford	Constable	Brierfield	\$ 50,000
Earline Wright-Hart	Circuit Clerk	Brierfield	\$100,000
Brenda Travis	Deputy Circuit Clerk	Brierfield	\$100,000
Myra E. Meeks	Deputy Circuit Clerk	Brierfield	\$ 50,000
Jerry Fisher	Justice Court Judge	Brierfield	\$ 50,000
Shirley Neal, III	Justice Court Judge	Western Surety	\$ 50,000
Lillie Benson Green	Justice Court Clerk	Brierfield	\$ 50,000
Stella D. Ross	Deputy Justice Court Clerk	Brierfield	\$ 50,000
Lillie Simmons	Deputy Justice Court Clerk	Brierfield	\$ 50,000
Patricia Watts	Deputy Justice Court Clerk	Western Surety	\$ 50,000
Mary R. McGee	Tax Collector and Tax Assessor	Brierfield	\$100,000
Wanda Sue Herrell	Deputy Tax Collector/Assessor	Brierfield	\$ 50,000

Holmes County
Schedule of Official Bonds
FYE 9/30/13

(continued)

<u>NAME</u>	<u>POSITION</u>	<u>COMPANY</u>	<u>BOND</u>
Linda Rollins	Deputy Tax Collector/Assessor	Western Surety	\$ 50,000
Tina Upchurch	Deputy Tax Collector/Assessor	Western Surety	\$ 50,000
Amos Coffee	Deputy Tax Assessor	Brierfield	\$ 10,000
Jaqueline Wilson	Deputy Tax Assessor	Brierfield	\$ 10,000
Sandra Green	Deputy Tax Assessor	Brierfield	\$ 50,000
Fred H. Baggett	County Engineer	Brierfield	\$ 50,000

HOLMES COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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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
Holmes County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Holmes County, Mississippi, as of and for the year ended September 30, 2013, which collectively comprise the county's basic financial statements and have issued our report thereon dated May 13, 2016. 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

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Holmes 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

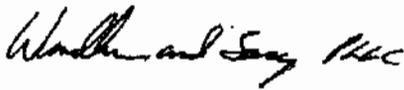
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Holmes 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Windham and Lacey, PLLC
May 13, 2016

Windham and Lacey, PLLC

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

Members of the Board of Supervisors
Holmes County, Mississippi

We have examined Holmes County, Mississippi's compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972), and compliance with the purchasing requirements in accordance with the bid requirements of Sections 31-7-13 Miss. Code Ann. (1972), during the year ended September 30, 2013. The Board of Supervisors of Holmes County, Mississippi is responsible for the county's compliance with those requirements. Our responsibility is to express an opinion on the county's compliance based on our examination.

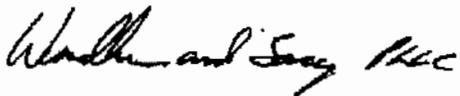
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly included examining, on a test basis, evidence about the county's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the county's compliance with specified requirements. The Board of Supervisors of Holmes 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 the inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Holmes County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to the examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Holmes 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.



Windham and Lacey, PLLC
May 13, 2016

HOLMES COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013

Schedule 1

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

HOLMES COUNTY
Schedule of Emergency Purchases
For the Year Euded September 30, 2013

Schedule 2

Our test results did not identify any emergency purchases.

HOLMES COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2013

Schedule 3

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

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Mississippi Society of CPAs

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Holmes County, Mississippi

In planning and performing our audit of the financial statements of Holmes County, Mississippi for the year ended September 30, 2013, we considered Holmes 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 Holmes 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 May 13, 2016 on the financial statements of Holmes 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 and recommendations and your responses are disclosed below:

Circuit Clerk.

1. Finding

Section 9-1-45, Miss. Code Ann. (1972), requires the Circuit Clerk to file "a true and accurate annual report..." of revenues and expenses, not later than April 15 of each year. The Circuit Clerk's fee journal lacked the accurate extensions of recorded checks into expense categories, and revenues lacked the accurate extensions of recorded receipts into revenue categories, causing an unequal balance in debits and credits. The fee journal bank account was not reconciled to the fee journal. The year-end totals on the fee journal did not equal amounts reported on the annual financial report. Without proper accounting for and documentation of revenues and expenses, failure to file annual reports according to statute could result in loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should maintain fee journals that accurately account for revenues and expenses of the office, should maintain proper documentation of those revenues and expenses, and should reconcile the fee journal to the fee journal bank account. Fee journal revenues and expenses should equal amounts reported on the annual financial report.

Response

I agree with the audit findings and after discharge from Sports Medicine and return full-time within the next 3 weeks, I will be contracting professional services for all accounting service for 2015 accounting.

2. Finding

The Circuit Clerk's reconciled bank balances did not agree with the criminal and civil journals' balances. Failure to properly reconcile accounts could result in loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should properly reconcile all accounts to the bank statements monthly, investigate and identify differences, and settle unidentified funds to the county.

Response

I will comply. Money that is found and I am unable to settle is turned over to the County. On September 4, 2013, I turned over \$11,500 to my County.

Sheriff.

1. Finding

The Sheriff's Office did not properly reconcile bank accounts for the fiscal year, and checks were not posted to the cash journal. Failure to properly record transactions in the cash journal and reconcile bank accounts promptly results in poor internal controls over cash, and could lead to loss or misappropriations of public funds.

Recommendation

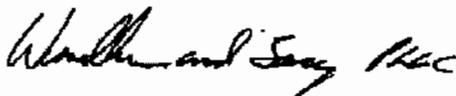
The Sheriff's Office should record all cash transactions in the cash journal and reconcile bank accounts promptly to insure proper internal controls over cash.

Response

The Holmes County Sheriff's Department is currently recording all cash and check transactions in the cash journal. We are also reconciling the bank records as required.

Holmes 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.



Windham and Lacey, PLLC
May 13, 2016

HOLMES COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

HOLMES COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental Activities | Unqualified |
| | Business-type Activities | Unqualified |
| | General Fund | Unqualified |
| | Engineer State Aid Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.