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# **HOLMES COUNTY, MISSISSIPPI**

## **AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS**

**For the Year Ended September 30, 2014**

HOLMES COUNTY  
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HOLMES COUNTY

FINANCIAL SECTION

# Windham and Lacey, PLLC

*Certified Public Accountants*

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Mississippi Society of CPAs

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Holmes County, Mississippi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Holmes County, Mississippi, as of and for the year ended September 30, 2014, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## 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, 2014, 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.

## Other Matters

### *Required Supplementary Information*

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

### *Omission of Required Supplementary Information*

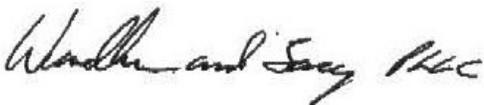
Holmes County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements,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

### *Other Information*

The Schedule of Surety Bonds for County Officials and the Reconciliation of Operating Costs of Solid Waste have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holmes County, Mississippi's internal control over financial reporting and compliance.



Windham and Lacey, PLLC  
September 8, 2016

HOLMES COUNTY

FINANCIAL STATEMENTS

HOLMES COUNTY  
Statement of Net Position  
September 30, 2014

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 6,084,583	371,102	6,455,685
Investments - restricted		1,641,397	1,641,397
Property tax receivable	6,486,786		6,486,786
Fines receivable (net of allowance for uncollectibles of \$1,783,033)	439,897		439,897
Due from agency fund	533,193		533,193
Capital leases receivable	402,631		402,631
Intergovernmental receivables	215,689	307,965	523,654
Other receivables	24,829	7,772	32,601
Capital assets:			
Land and construction in progress	704,952	120,000	824,952
Other capital assets, net	17,674,901	4,027,592	21,702,493
<b>Total Assets</b>	<b>32,567,461</b>	<b>6,475,828</b>	<b>39,043,289</b>
<b>LIABILITIES</b>			
Claims payable	438,138	128,173	566,311
Amounts held in custody for others	104,379		104,379
Intergovernmental payables	180,466	1,275	181,741
Accrued interest payable	22,301	42,839	65,140
Long-term liabilities			
Due within one year:			
Capital debt	1,222,093	485,069	1,707,162
Non-capital debt	368,069		368,069
Due in more than one year:			
Capital debt	5,458,561	2,215,000	7,673,561
Non-capital debt	323,657		323,657
<b>Total Liabilities</b>	<b>8,117,664</b>	<b>2,872,356</b>	<b>10,990,020</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax for future reporting period	6,486,786		6,486,786
Interest income on capital lease receivable for future reporting period	60,045		60,045
<b>Total Deferred Inflows of Resources</b>	<b>6,546,831</b>	<b>0</b>	<b>6,546,831</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	11,699,199	1,447,523	13,146,722
Restricted net position:			
Expendable:			
General government	223,892		223,892
Debt service	425,969	433,090	859,059
Public safety	611,693	1,722,859	2,334,552
Public works	1,419,807		1,419,807
Economic development	397,983		397,983
Health & welfare	11,540		11,540
Unemployment compensation	20,000		20,000
Unrestricted	3,092,883		3,092,883
<b>Total Net Position</b>	<b>\$ 17,902,966</b>	<b>3,603,472</b>	<b>21,506,438</b>

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

HOLMES COUNTY  
Statement of Activities  
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General government	\$ 3,335,939	478,363	10,866		(2,846,710)		(2,846,710)
Public safety	2,053,796	210,061	211,163		(1,632,572)		(1,632,572)
Public works	3,326,437	217,222	55,087	710,255	(2,343,873)		(2,343,873)
Health and welfare	361,100		88,613		(272,487)		(272,487)
Conservation of natural resources	91,744				(91,744)		(91,744)
Economic development and assistance	248,024				(248,024)		(248,024)
Interest on long-term debt	218,787				(218,787)		(218,787)
Total Governmental Activities	<u>9,635,827</u>	<u>905,646</u>	<u>365,729</u>	<u>710,255</u>	<u>(7,654,197)</u>	<u>0</u>	<u>(7,654,197)</u>
<b>Business-type Activities:</b>							
Regional jail	<u>3,027,581</u>	<u>3,376,781</u>				349,200	349,200
Total Business-type Activities	<u>3,027,581</u>	<u>3,376,781</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>349,200</u>	<u>349,200</u>
Total Primary Government	\$ <u>12,663,408</u>	<u>4,282,427</u>	<u>365,729</u>	<u>710,255</u>	<u>(7,654,197)</u>	<u>349,200</u>	<u>(7,304,997)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					\$ 6,832,263		6,832,263
Road & bridge privilege taxes					198,245		198,245
Grants & contributions not restricted to specific programs					916,898		916,898
Unrestricted investment income					170,367	157	170,524
Miscellaneous					499,533	68,255	567,788
Transfers					23,748	(23,748)	
Total General Revenues					<u>8,641,054</u>	<u>44,664</u>	<u>8,685,718</u>
Changes in Net Position					<u>986,857</u>	<u>393,864</u>	<u>1,380,721</u>
Net Position - Beginning					17,061,409	3,309,750	20,371,159
Change in accounting standard					(44,122)	(98,109)	(142,231)
Prior period adjustments					(101,178)	(2,033)	(103,211)
Net position - Beginning, as restated					<u>16,916,109</u>	<u>3,209,608</u>	<u>20,125,717</u>
Net Position - Ending					\$ <u>17,902,966</u>	<u>3,603,472</u>	<u>21,506,438</u>

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

HOLMES COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2014

Exhibit 3

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 2,883,113	3,201,470	6,084,583
Property tax receivable	4,219,794	2,266,992	6,486,786
Fines receivable (net of allowance for uncollectibles of \$1,783,033)	439,897		439,897
Capital lease receivable		402,631	402,631
Intergovernmental receivables	115,958	99,731	215,689
Other receivables	8,050	16,779	24,829
Due from other funds	891,965	45,177	937,142
 Total Assets	 \$ <u>8,558,777</u>	 <u>6,032,780</u>	 <u>14,591,557</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Claims payable	\$ 188,466	249,672	438,138
Amounts held in custody for others	93,655	10,724	104,379
Intergovernmental payables	171,523	8,943	180,466
Due to other funds	41,677	362,272	403,949
Total Liabilities	<u>495,321</u>	<u>631,611</u>	<u>1,126,932</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property tax	4,219,794	2,266,992	6,486,786
Unavailable revenue - capital lease		402,631	402,631
Unavailable revenue - fines	439,897		439,897
Total Deferred Inflows of Resources	<u>4,659,691</u>	<u>2,669,623</u>	<u>7,329,314</u>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
General government		223,892	223,892
Public safety		611,693	611,693
Public works		1,419,807	1,419,807
Economic development		397,983	397,983
Health & welfare		11,540	11,540
Debt service		448,270	448,270
Unemployment compensation		20,000	20,000
Unassigned	3,403,765	(401,639)	3,002,126
Total Fund Balances	<u>3,403,765</u>	<u>2,731,546</u>	<u>6,135,311</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ <u>8,558,777</u>	 <u>6,032,780</u>	 <u>14,591,557</u>

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, 2014

Exhibit 3-1

Total Fund Balance - Governmental Funds	\$ 6,135,311
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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 \$8,850,750.	18,379,853
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	439,897
--	---------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,372,380)
--	-------------

Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	342,586
--	---------

Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(22,301)</u>
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Total Net Position - Governmental Activities	\$ <u><u>17,902,966</u></u>
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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, 2014

Exhibit 4

	<u>Major Fund</u>		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<b>REVENUES</b>			
Property taxes	\$ 4,495,163	2,337,100	6,832,263
Road & bridge privilege taxes		198,245	198,245
Licenses, commissions & other revenue	180,718	110,010	290,728
Fines and forfeitures	213,391		213,391
Intergovernmental revenues	466,693	1,526,189	1,992,882
Charges for services	43,473	375,217	418,690
Interest income	159,667	10,700	170,367
Miscellaneous revenues	263,766	166,684	430,450
Total Revenues	<u>5,822,871</u>	<u>4,724,145</u>	<u>10,547,016</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,815,685	616,011	3,431,696
Public safety	1,923,937	254,521	2,178,458
Public works	28,205	3,805,922	3,834,127
Health & welfare	321,472		321,472
Conservation of natural resources	91,744		91,744
Economic development assistance	165,031	74,143	239,174
Debt service:			
Principal		1,142,513	1,142,513
Interest		227,006	227,006
Bond issue cost		4,000	4,000
Total Expenditures	<u>5,346,074</u>	<u>6,124,116</u>	<u>11,470,190</u>
Excess of Revenue Over (under) Expenditures	<u>476,797</u>	<u>(1,399,971)</u>	<u>(923,174)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term capital debt issued		802,347	802,347
Proceeds from sale of capital assets	1,324	219,760	221,084
Transfers in	158,000	133,197	291,197
Transfers out	(118,197)	(173,000)	(291,197)
Lease principal payments		25,903	25,903
Total Other Financing Sources (Uses)	<u>41,127</u>	<u>1,008,207</u>	<u>1,049,334</u>
Net Changes in Fund Balance	<u>517,924</u>	<u>(391,764)</u>	<u>126,160</u>
Fund Balance - Beginning	2,888,322	3,120,829	6,009,151
Prior period adjustments	(2,481)	2,481	
Fund Balance - Beginning, as restated	<u>2,885,841</u>	<u>3,123,310</u>	<u>6,009,151</u>
Fund Balance - Ending	<u>\$ 3,403,765</u>	<u>2,731,546</u>	<u>6,135,311</u>

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, 2014

Exhibit 4-1

Net Changes in Fund Balances - Governmental Funds \$ 126,160

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  
\$1,772,425 exceeded depreciation, \$1,079,209 in the current period. 693,216

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 \$59,498 and the  
proceeds from the disposition of \$221,084 in the current period. (161,586)

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. (17,163)

Debt proceeds provide current financial resources to Governmental Funds, but  
issuing debt increases long-term liabilities in the Statement of Net Position. Repayment  
of debt principal is an expenditure in the Governmental Funds, but the repayment  
reduces long-term liabilities in the Statement of Net Position. Thus, the change in  
net position differs from the change in fund balances by the amount that debt  
repayments of \$1,142,513 exceeded debt proceeds of \$802,347. 340,166

Under the modified accrual basis of accounting used in the Governmental Funds,  
expenditures are not recognized for transactions that are not normally paid with  
expendable available financial resources. However, in the Statement of Activities,  
which is presented on the accrual basis, expenses and liabilities are reported  
regardless of when financial resources are available. In addition, interest on long-  
term debt is recognized under the modified accrual basis of accounting when due,  
rather than as it accrues. Thus, the change in net position differs from the change in  
fund balances by the following item:

The amount of decrease in accrued interest payable 8,219

Capital assets transferred from the proprietary fund are reported as general revenues  
on the Statement of Activities. Under the modified accrual basis of accounting used in  
the Governmental Funds, these revenues are not recongnized. 23,748

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. (25,903)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 986,857

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, 2014

Exhibit 6

	Business-type Activities - Enterprise Fund
	<u>Holmes-Humphreys Regional Correctional Facility Fund</u>
Operating Revenues	
Charges for services	\$ 3,376,781
Miscellaneous	68,255
Total Operating Revenues	<u>3,445,036</u>
Operating Expenses	
Personal services	1,674,132
Contractual services	384,605
Materials and supplies	681,296
Depreciation expense	114,682
Indirect administrative cost	64,458
Total Operating Expenses	<u>2,919,173</u>
Operating Income (Loss)	<u>525,863</u>
Nonoperating Revenues (Expenses)	
Interest income	157
Transfer out	(23,748)
Interest expense	(108,408)
Net Nonoperating Revenue (Expenses)	<u>(131,999)</u>
Changes in Net Position	<u>393,864</u>
Net Position - Beginning	3,309,750
Change in accounting standard	(98,109)
Prior period adjustment	(2,033)
Net Position - Beginning, as restated	<u>3,209,608</u>
Net Position - Ending	<u>\$ 3,603,472</u>

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



HOLMES COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2014

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ <u>648,211</u>
Total Assets	\$ <u><u>648,211</u></u>
<b>LIABILITIES</b>	
Due to Governmental Funds	\$ 533,193
Amounts held in custody for others	30,661
Intergovernmental payables	<u>84,357</u>
Total Liabilities	\$ <u><u>648,211</u></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, 2014

#### (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's 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.

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

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.

#### 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, deferred inflows of resources, 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.

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

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

The county reports the following major Governmental Fund:

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

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 2012 by the Government Finance Officers Association.

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

#### 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.

#### 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.

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

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.

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. Deferred Outflows/Inflows of Resources.

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

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

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

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

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

K. Long-Term Liabilities.

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

In the government-wide financial statements 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.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws 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."

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.

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

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

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

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

#### M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with 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.

#### N. Intergovernmental Revenues in Governmental Funds.

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

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(2) Accounting Change.

GASB Statement 65 required debt issuance cost, except any portion related to prepaid insurance cost, be recognized as an expense in the period incurred. Prior to GASB Statement 65, debt issuance cost was amortized over the life of the bond.

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Governmental Activities:	
To expense unamortized balance of debt issuance cost	\$ <u>(44,122)</u>
Business-type Activities:	
To expense unamortized balance of debt issuance cost	\$ <u>(98,109)</u>

(3) 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 errors in capital assets, net of accumulated depreciation	\$ <u>(101,178)</u>
Business-type Activities:	
To correct errors in capital assets, net of accumulated depreciation	\$ <u>(2,033)</u>

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

<u>Explanation</u>	<u>Amount</u>
Governmental Activities:	
To correct prior year accrual in General Fund	\$ (2,481)
To correct prior year accrual in other Governmental Fund	<u>2,481</u>
Total prior period adjustments	\$ <u>0</u>

(4) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2014, was \$7,103,896 and the bank balance was \$7,661,488. 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.

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

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.

Investments:

Investments balances at September 30, 2014, 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>1,641,397</u>	AAAm
 Total		\$ <u><u>1,641,397</u></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 Section 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.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 358,772
General	Agency Fund	533,193
Other Governmental Funds	General	41,677
Other Governmental Funds	Other Governmental Funds	<u>3,500</u>
 Total		\$ <u><u>937,142</u></u>

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

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, 2014. 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. 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. Transfers In/Out:

Exhibit 2 - Statement of Activities.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	HHRCF Regional Jail	\$ <u>23,748</u>

The principal purpose of the interfund transfer was to transfer capital assets to the General Fund. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 158,000
Other Governmental Funds	General Fund	118,197
Other Governmental Funds	Other Governmental Funds	<u>15,000</u>
Total		\$ <u>291,197</u>

The principal purpose of interfund transfers was to provide matching funds for grants, cover operating expense of road funds, and close out old accounts.

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tag credit	\$ 70,745
State oil severance	391
State timber severance	959
Reimbursement for city garbage pickup	34,012
State heavy tag license	5,096
State Department of Human Services	14,170
Drug Court	12,821
Mississippi Emergency Management	23,327
State Tri Ad Grant	5,000
Privilege tax	2,898
Motor vehicle fuel tax distribution	27,020
State aid engineer fees	<u>19,250</u>
Total Governmental Activities	<u>\$ 215,689</u>
<b>Business-type Activities:</b>	
Reimbursement for housing state inmates	\$ 299,748
Reimbursement for housing city inmates	<u>8,217</u>
Total Business-type Activities	<u>\$ 307,965</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

<b>Governmental Activities:</b>	<u>Balance</u>			<u>Balance</u>
	<u>Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Sept. 30, 2014</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$ 303,949	39,000		(500) 342,449
Construction in progress	930,152	595,355		(1,163,004) 362,503
Total Nondepreciable Capital Assets	<u>1,234,101</u>	<u>634,355</u>	<u>0</u>	<u>(1,163,504) 704,952</u>
<b>Depreciable Capital Assets</b>				
Infrastructure	9,298,979			1,156,421 10,455,400
Buildings	7,163,190	278,000		7,441,190
Mobile equipment	4,581,871	191,073	328,783	(129,684) 4,314,477
Furniture and equipment	728,640	16,650		745,290
Leased property under capital leases	3,139,947	652,347	223,000	3,569,294
Total Depreciable Capital Assets	<u>24,912,627</u>	<u>1,138,070</u>	<u>551,783</u>	<u>1,026,737 26,525,651</u>

(Continued)

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments*	Balance Sept. 30, 2014
Less accumulated depreciation for:					
Infrastructure	1,895,299	288,355			2,183,654
Buildings	2,053,423	126,275			2,179,698
Mobile equipment	3,194,995	251,109	289,847	(59,337)	3,096,920
Furniture and equipment	511,864	56,102			567,966
Leased property under capital leases	565,494	357,368	100,350		822,512
Total accumulated depreciation	<u>8,221,075</u>	<u>1,079,209</u>	<u>390,197</u>	<u>(59,337)</u>	<u>8,850,750</u>
Total depreciable capital assets - net	<u>16,691,552</u>	<u>58,861</u>	<u>161,586</u>	<u>1,086,074</u>	<u>17,674,901</u>
Governmental Activities					
Capital Assets - Net	\$ <u>17,925,653</u>	<u>693,216</u>	<u>161,586</u>	<u>(77,430)</u>	<u>18,379,853</u>
Business-type Activities:					
	Balance Oct. 1, 2013	Additions	Deletions	Adjustments *	Balance Sept. 30, 2014
<u>Nondepreciable Capital Assets</u>					
Land	\$ <u>120,000</u>				<u>120,000</u>
Total Nondepreciable Capital Assets	<u>120,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>120,000</u>
<u>Depreciable Capital Assets:</u>					
Buildings	5,333,915				5,333,915
Improvements other than buildings	36,149				36,149
Mobile equipment	155,259			(20,326)	134,933
Furniture and equipment	72,211				72,211
Leased property under capital lease	51,626			(51,626)	
Total depreciable capital assets	<u>5,649,160</u>	<u>0</u>	<u>0</u>	<u>(71,952)</u>	<u>5,577,208</u>
<u>Less accumulated depreciation for:</u>					
Buildings	1,260,546	106,678			1,367,224
Improvements other than buildings	8,134	1,627			9,761
Mobile equipment	139,734			(18,293)	121,441
Furniture and equipment	44,813	6,377			51,190
Leased property under capital lease	27,878			(27,878)	
Total accumulated depreciation	<u>1,481,105</u>	<u>114,682</u>	<u>0</u>	<u>(46,171)</u>	<u>1,549,616</u>
Total depreciable capital assets, net	<u>4,168,055</u>	<u>(114,682)</u>	<u>0</u>	<u>(25,781)</u>	<u>4,027,592</u>
Business-type activities capital assets, net \$	<u>4,288,055</u>	<u>(114,682)</u>	<u>0</u>	<u>(25,781)</u>	<u>4,147,592</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 and to transfer assets from business-type activities to governmental funds.

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 75,938
Public safety	144,218
Public works	810,575
Health and welfare	39,628
Economic development	<u>8,850</u>
Total governmental activities depreciation expense	<u>\$ 1,079,209</u>
Business-type activities:	
Correctional facility	<u>\$ 114,682</u>

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014 to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessor:

On November 1, 2005, Holmes County entered into a capital lease agreement with Lexington Homes for the lease of a building. The capital lease stipulated that the lease would pay approximately \$3,050 per month in lease payments for a term of 20 years. At the end of the lease term, the building becomes the property of Lexington Homes.

The county leases the following property as of September 30, 2014:

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

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2014, are as follows:

Year Ending September 30:	Principal	Interest
2015	\$ 22,191	8,307
2016	27,365	9,238
2017	28,198	8,405
2018	29,056	7,548
2019	29,939	6,664
2020 - 2024	163,923	19,094
2025 - 2026	41,914	789
Total	\$ 342,586	60,045

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

Classes of Property	Governmental Activities
Mobile equipment	\$ 3,569,294
Total	3,569,294
Less: Accumulated depreciation	822,512
Leased Property under Capital Leases	\$ 2,746,782

The following is a schedule by years of the total payments due as of September 30, 2014:

Year Ending September 30:	Governmental Activities	
	Principal	Interest
2015	\$ 752,124	43,742
2016	987,208	25,873
2017	514,485	9,819
2018	209,127	3,171
2019	13,300	70
Total	\$ 2,476,244	82,675

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(10) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
District 5 road and bridge	\$ 30,000	2.25%	12-14
District 2 road and bridge	60,000	4.10%	09-16
District 4 road and bridge	55,000	2.95%	09-15
County building bond	1,575,000	3.75/5.125%	09-18
County road and building	1,570,000	3.10/4.25%	08-25
District 3 road and bridge	122,520	2.13%	06-17
District 4 road and bridge	91,890	2.13%	06-17
District 4 road and bridge	<u>550,000</u>	2.30/3.20%	08-23
Total General Obligation Bonds	<u>\$ 4,054,410</u>		
B. Capital Leases:			
Kobelco excavator	\$ 72,810	3.45%	12-14
Kubota tractor and cutter	20,362	1.96%	07-16
Volvo motor grader	132,600	1.90%	07-15
Volvo motor grader	132,600	1.90%	07-15
Kubota tractor	17,033	1.96%	07-16
Kubota tractor and bush hog	30,702	2.19%	08-17
Mack truck	88,061	1.94%	07-16
Volvo motor grader	138,124	2.01%	11-15
JD 6430 tractor	24,619	1.80%	05-16
Caterpillar motor grader	36,966	2.12%	06-17
Mack truck	88,061	1.94%	07-16
Caterpillar motor grader	144,514	2.12%	07-17
2 Mack trucks	176,122	1.94%	07-16
E-911 system	112,527	2.51%	12-18
2 garbage trucks	264,211	1.83%	02-16
Garbage truck	132,089	1.78%	02-16
JD tractor w/tiger boom	62,708	1.96%	02-17
JD tractor w/tiger boom	62,708	1.96%	02-17
JD tractor w/tiger boom	62,708	1.96%	02-17
Kobelco excavator	69,879	2.24%	09-18
Volvo motor grader	150,622	2.06%	12-16
Volvo motor grader	150,622	2.06%	12-16
2 Mack trucks	253,008	2.26%	03-19
JD tractor	<u>52,588</u>	1.96%	02-17
Total Capital Leases	<u>\$ 2,476,244</u>		

(Continued)

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

Description and Purpose	Amount Outstanding	Interest Rate	Maturity Date
C. Other Loans:			
MDEZA loan	\$ 350,000	0.00%	03-12
Capital improvement loan	341,726	3.00%	11-25
Negotiable note - road repairs	150,000	1.48%	09-19
Total Other Loans	\$ 841,726		
Business-type Activities:			
A. General Obligation Bonds:			
HHRCF Building	\$ 85,069	3.17%	03-15
Total General Obligation Bonds	\$ 85,069		
B. Limited Obligation Bonds:			
Urban renewal revenue bonds	\$ 2,615,000 *	3.00/4.00%	06-20
Total Limited Obligation Bonds	\$ 2,615,000		

\* 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 (Holmes County, MS Regional Correctional Facility project), 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.

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
2015	\$ 439,969	143,147	398,069	12,332
2016	361,459	127,515	57,297	11,082
2017	342,982	113,879	58,128	9,808
2018	285,000	101,666	58,983	8,508
2019	295,000	91,048	59,865	7,183
2020 - 2024	1,605,000	291,801	163,513	19,502
2025 - 2029	725,000	55,648	45,871	902
Total	\$ 4,054,410	924,704	841,726	69,317

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

Business-type Activities:

<u>Year Ending September 30:</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 85,069	2,697	400,000	92,037
2016			415,000	77,775
2017			425,000	62,756
2018			440,000	46,200
2019			460,000	28,200
2020 - 2024			475,000	9,500
Total	<u>\$ 85,069</u>	<u>2,697</u>	<u>2,615,000</u>	<u>316,468</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2014, the amount of outstanding debt was equal to 3.47% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2013</u>				<u>Sept. 30, 2014</u>	<u>within one</u>
						<u>year</u>
Governmental Activities:						
General obligation bonds	\$ 4,477,919		423,509		4,054,410	439,969
Capital leases	2,414,259	652,347	590,362		2,476,244	752,124
Other loans	820,368	150,000	128,642		841,726	398,069
Total	<u>\$ 7,712,546</u>	<u>802,347</u>	<u>1,142,513</u>	<u>0</u>	<u>7,372,380</u>	<u>1,590,162</u>
Business-type Activities:						
General obligation bonds	\$ 167,526		82,457		85,069	85,069
Capital leases	14,826		14,826			
Limited obligation bonds	3,005,000		390,000		2,615,000	400,000
Total	<u>\$ 3,187,352</u>	<u>0</u>	<u>487,283</u>	<u>0</u>	<u>2,700,069</u>	<u>485,069</u>

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2014:

Fund	Deficit Amount
AOC/Drug - DUI Fund	\$ 24,859
Rural Development Business Enterprise Grant	12,051
Reappraisal of Property	2,763
Law Library	2,438
Municipal Solid Waste	131,782
District 1 Road Fund	522
District 2 Road Fund	33,476
District 3 Road Fund	117,149
District 5 Road Fund	16,190
District 3 Bridge & Culvert Fund	19,884
Engineer State Aid Project Fund	34,135
Lexington Homes I&S Fund	4,981
Bond Fund 2013	1,409

(12) 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.

(13) Related Organizations.

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.

(14) Joint Venture.

Holmes 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 2014.

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

#### (15) Jointly Governed Organizations.

Holmes 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 \$519,882 for maintenance and support of the college in fiscal year 2014.

The Mid-Mississippi Regional Library System operates in a district composed of the Counties of Attala, Holmes, Leake, Montgomery and Winston. The Holmes County Board of Supervisors appoints one of the five members of the library board of directors. The county appropriated \$163,601 for maintenance and support of the library in fiscal year 2014.

North Central Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. 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 2014.

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 2014.

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 2014.

#### (16) 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, 2014 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, 2014, 2013, and 2012 were \$627,240, \$598,819, and \$530,645 respectively, equal to the required contributions for each year.

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

(17) 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 September 8, 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:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/09/2014	1.9%	\$ 250,000	G. O. Road & Bridge Bonds	Ad valorem tax
10/09/2014	1.9%	\$ 200,000	G. O. Road & Bridge Bonds	Ad valorem tax
10/09/2014	1.625%	\$ 250,000	G. O. Road & Bridge Bonds	Ad valorem tax
12/01/2014	2.29%	\$ 71,300	Lease purchase	Ad valorem tax
03/02/2015	2.19%	\$ 51,483	Lease purchase	Ad valorem tax
04/20/2015	1.96%	\$ 51,208	Lease purchase	Ad valorem tax
04/22/2015	2.27%	\$ 49,900	Lease purchase	Ad valorem tax
08/07/2015	2.24%	\$ 125,000	Lease purchase	Ad valorem tax
08/07/2015	2.24%	\$ 125,000	Lease purchase	Ad valorem tax
11/17/2015	2.24%	\$ 125,000	Lease purchase	Ad valorem tax
05/25/2016	1.96%	\$ 351,200	Lease purchase	Ad valorem tax

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. On September 10, 2014, the county refinanced a balloon payment for a capital lease for an excavator for District 4. The original loan was \$147,882 on August 25, 2010.

HOLMES COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

HOLMES COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,190,714	4,490,478	4,490,478	
Licenses, commissions and other revenue	161,000	179,972	179,972	
Fines and forfeitures	194,000	214,931	214,931	
Intergovernmental revenues	413,271	514,350	514,350	
Charges for services	55,000	45,289	45,289	
Interest income	140,000	160,118	160,118	
Miscellaneous revenues	162,910	183,262	183,262	
Total Revenues	<u>5,316,895</u>	<u>5,788,400</u>	<u>5,788,400</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,089,887	3,002,715	3,002,715	
Public safety	1,484,018	1,683,976	1,683,976	
Public works	34,856	23,489	23,489	
Health and welfare	357,903	322,249	322,249	
Conservation of natural resources	109,865	97,415	97,415	
Economic development and assistance	161,025	160,827	160,827	
Total Expenditures	<u>5,237,554</u>	<u>5,290,671</u>	<u>5,290,671</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>79,341</u>	<u>497,729</u>	<u>497,729</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	263,000	223,782	223,782	
Other financing uses	(383,000)	(118,197)	(118,197)	
Total Other Financing Sources and Uses	<u>(120,000)</u>	<u>105,585</u>	<u>105,585</u>	<u>0</u>
Net Change in Fund Balance	(40,659)	603,314	603,314	0
Fund Balances - Beginning	<u>1,775,991</u>	<u>2,393,047</u>	<u>2,392,797</u>	<u>(250)</u>
Fund Balances – Ending	<u>\$ 1,735,332</u>	<u>2,996,361</u>	<u>2,996,111</u>	<u>(250)</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, 2014

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. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	<u>General Fund</u>
Budget (Cash Basis)	\$ 603,314
Increase (Decrease)	
Net adjustments for revenue accruals	(29,987)
Net adjustments for expenditure accruals	<u>(55,403)</u>
GAAP Basis	<u>\$ 517,924</u>

HOLMES COUNTY

SUPPLEMENTAL INFORMATION

HOLMES COUNTY  
 Reconciliation of Operating Costs of Solid Waste  
 For the Year Ended September 30, 2014

Operating Expenditures, Cash Basis:

Salaries	\$	178,634
Expendable Commodities:		
Gasoline and petroleum products		98,977
Tires and tubes		15,133
Repair parts		20,304
Supplies		8,352
Insurance on equipment		7,000
Contractual services		6,077
Solid waste disposal fees		109,915
Other miscellaneous		4,967
Telephone		1,621
Principal retirement and interest		107,484
Solid Waste Cash Basis Operating Expenditures		<u>558,464</u>
Full Cost Expenses:		
Indirect administrative costs		5,034
Depreciation on equipment		43,898
Net effect of other accrued expenses		<u>5,240</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>612,636</u></u>

HOLMES COUNTY

OTHER INFORMATION

HOLMES COUNTY  
Schedule of Official Bonds -  
Unaudited  
For the Year Ended September 30, 2014

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 Lockett	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 Lockett	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

(Continued)

HOLMES COUNTY  
Schedule of Official Bonds -  
Unaudited  
For the Year Ended September 30, 2014

<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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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676  
Fax (601)939-8761

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

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, 2014, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 8, 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.

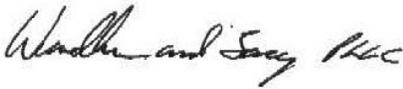
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We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

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  
September 8, 2016

# Windham and Lacey, PLLC

*Certified Public Accountants*

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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 Section 31-7-13, Miss. Code Ann. (1972), during the year ended September 30, 2014. 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.

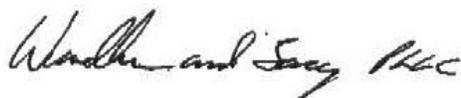
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly included examining, on a test basis, evidence about the county's compliance with those requirements and performing other procedures as we considered 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, 2014.

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  
September 8, 2016

HOLMES COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2014

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 Ended September 30, 2014

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, 2014

Schedule 3

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

# Windham and Lacey, PLLC

*Certified Public Accountants*

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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, 2014, 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 September 8, 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 was not available for audit. 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.

Circuit Clerk's Response

Records will be turned over when completed by CPA Firm. I was out of the office from December 14, 2015 until May 6, 2016.

2. Finding

The Circuit Clerk's criminal and civil journals were unavailable for audit. Failure to properly maintain accounting records could result in loss or misappropriation of public funds.

Recommendation

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

Circuit Clerk's Response

Audit preparation for all journals is being completed by CPA Firm in Ridgeland, MS, and will be submitted when completed. (Grantham & Poole)

Justice Court.

1. Finding

The Justice Court Clerk did not properly maintain cash journals for criminal, civil and clearing accounts for the fiscal year. Settlements to the county were made from receipts printouts, and we could not reconcile civil settlements to the county with those reports.

Recommendation

The Justice Court Clerk should maintain cash journals for criminal, civil and clearing accounts to insure proper internal controls over collections and settlements.

Justice Court Clerk's Response

I have taken steps to improve the problem through my software company by having new software that has been installed.

Sheriff.

1. Finding

The Sheriff's Office did not properly maintain a cash journal and settle all receipts for the fiscal year. Checks were not posted to the cash journal and we found instances of receipts that were not settled to the county. 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.

Sheriff's Response

We will comply with all recommendations.

2. Finding

The Sheriff's Office did not make timely deposits during the fiscal year. Failure to make timely deposits could result in poor internal controls over cash and could lead to loss or misappropriations of public funds.

Recommendation

The Sheriff's Office should make daily deposits to insure proper internal controls over cash.

Sheriff's Response

We will comply with all recommendations.

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  
September 8, 2016

HOLMES COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

HOLMES COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

*Financial Statements:*

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements:                              | Unmodified    |
| 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*.