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HOLMES COUNTY, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS

For the Year Ended September 30, 2015

HOLMES COUNTY
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HOLMES COUNTY

FINANCIAL SECTION

Windham and Lacey, PLLC

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Members:
American Institute of CPAs
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, 2015, 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, 2015, 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, the Budgetary Comparison Schedules, the County's Proportionate Share of the Net Pension Liability, the County's Contribution, 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

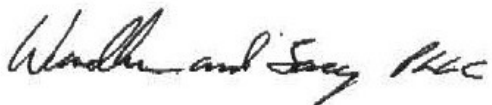
Holmes County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, 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 April 14, 2017, 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
April 14, 2017

HOLMES COUNTY

FINANCIAL STATEMENTS

HOLMES COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 6,602,189	378,044	6,980,233
Investments - restricted		1,755,985	1,755,985
Property tax receivable	6,960,806		6,960,806
Fines receivable (net of allowance for uncollectibles of \$1,893,821)	602,001		602,001
Advances to agency fund	533,193		533,193
Due from agency fund	5,000		5,000
Capital leases receivable	366,028		366,028
Intergovernmental receivables	193,996	263,732	457,728
Other receivables	44,052	137	44,189
Capital assets:			
Land and construction in progress	1,114,505	120,000	1,234,505
Other capital assets, net	17,077,595	3,912,910	20,990,505
Total Assets	33,499,365	6,430,808	39,930,173
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,329,742	412,310	1,742,052
LIABILITIES			
Claims payable	405,855	83,284	489,139
Amounts held in custody for others	104,100		104,100
Intergovernmental payables	153,454	9,608	163,062
Accrued interest payable	17,819	35,429	53,248
Long-term liabilities			
Due within one year:			
Capital debt	1,505,936	415,000	1,920,936
Non-capital debt	27,297		27,297
Due in more than one year:			
Capital debt	4,971,525	1,800,000	6,771,525
Non-capital debt	290,164		290,164
Pension liability	7,534,983	2,336,359	9,871,342
Total Liabilities	15,011,133	4,679,680	19,690,813
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	18,754	5,814	24,568
Property tax for future reporting period	6,960,806		6,960,806
Interest income on capital lease receivable for future reporting period	50,133		50,133
Total Deferred Inflows of Resources	7,029,693	5,814	7,035,507

HOLMES COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1 (Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
NET POSITION			
Net investment in capital assets	11,714,639	1,817,910	13,532,549
Restricted net position:			
Expendable:			
General government	251,748		251,748
Debt service	300,158	433,133	733,291
Public safety	616,947		616,947
Public works	2,002,846		2,002,846
Economic development	158,477		158,477
Health & welfare	22,539		22,539
Unemployment compensation	20,000		20,000
Nonspendable	533,193		533,193
Unrestricted	(2,832,266)	(93,419)	(2,925,685)
Total Net Position	\$ 12,788,281	2,157,624	14,945,905

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

HOLMES COUNTY
Statement of Activities
For the Year Ended September 30, 2015

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
Primary Government:							
Governmental Activities:							
General government	\$ 2,836,867	541,407	105,092		(2,190,368)		(2,190,368)
Public safety	1,962,528	195,436	247,604		(1,519,488)		(1,519,488)
Public works	2,905,807	186,797	47,735	63,335	(2,607,940)		(2,607,940)
Health and welfare	342,945		39,634		(303,311)		(303,311)
Conservation of natural resources	79,333				(79,333)		(79,333)
Economic development and assistance	323,018			151,000	(172,018)		(172,018)
Interest on long-term debt	219,663				(219,663)		(219,663)
Pension expense	891,145				(891,145)		(891,145)
Total Governmental Activities	<u>9,561,306</u>	<u>923,640</u>	<u>440,065</u>	<u>214,335</u>	<u>(7,983,266)</u>	<u>0</u>	<u>(7,983,266)</u>
Business-type Activities:							
Regional jail	<u>2,821,494</u>	<u>3,108,571</u>				<u>287,077</u>	<u>287,077</u>
Total Business-type Activities	<u>2,821,494</u>	<u>3,108,571</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>287,077</u>	<u>287,077</u>
Total Primary Government	<u>\$ 12,382,800</u>	<u>4,032,211</u>	<u>440,065</u>	<u>214,335</u>	<u>(7,983,266)</u>	<u>287,077</u>	<u>(7,696,189)</u>
General revenues:							
Taxes:							
Property taxes					\$ 6,921,644		6,921,644
Road & bridge privilege taxes					200,089		200,089
Grants & contributions not restricted to specific programs					1,045,026		1,045,026
Unrestricted investment income					167,073	159	167,232
Miscellaneous					<u>344,605</u>	<u>68,368</u>	<u>412,973</u>
Total General Revenues					<u>8,678,437</u>	<u>68,527</u>	<u>8,746,964</u>
Changes in Net Position					<u>695,171</u>	<u>355,604</u>	<u>1,050,775</u>
Net Position - Beginning					17,902,966	3,603,472	21,506,438
Prior period adjustments					<u>(5,809,856)</u>	<u>(1,801,452)</u>	<u>(7,611,308)</u>
Net position - Beginning, as restated					<u>12,093,110</u>	<u>1,802,020</u>	<u>13,895,130</u>
Net Position - Ending					<u>\$ 12,788,281</u>	<u>2,157,624</u>	<u>14,945,905</u>

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

HOLMES COUNTY
Balance Sheet - Governmental Funds
September 30, 2015

Exhibit 3

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
ASSETS			
Cash	\$ 3,163,474	3,438,715	6,602,189
Property tax receivable	4,511,974	2,448,832	6,960,806
Fines receivable (net of allowance for uncollectibles of \$1,893,821)	602,001		602,001
Capital lease receivable		366,028	366,028
Intergovernmental receivables	82,530	111,466	193,996
Other receivables	22,392	21,660	44,052
Advances to other funds	533,193		533,193
Due from other funds	438,734	45,014	483,748
Total Assets	\$ 9,354,298	6,431,715	15,786,013
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 175,935	229,920	405,855
Amounts held in custody for others	93,376	10,724	104,100
Intergovernmental payables	143,001	10,453	153,454
Due to other funds	45,014	433,734	478,748
Total Liabilities	457,326	684,831	1,142,157
Deferred Inflows of Resources:			
Unavailable revenue - property tax	4,511,974	2,448,832	6,960,806
Unavailable revenue - capital lease		366,028	366,028
Unavailable revenue - fines	602,001		602,001
Total Deferred Inflows of Resources	5,113,975	2,814,860	7,928,835
Fund Balances:			
Nonspendable			
Advances	533,193		533,193
Restricted for:			
General government		251,748	251,748
Public safety		616,947	616,947
Public works		2,002,846	2,002,846
Economic development		158,477	158,477
Health & welfare		22,539	22,539
Debt service		317,977	317,977
Unemployment compensation		20,000	20,000
Unassigned	3,249,804	(458,510)	2,791,294
Total Fund Balances	3,782,997	2,932,024	6,715,021
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,354,298	6,431,715	15,786,013

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, 2015

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,715,021
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 \$9,821,272.	18,192,100
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	602,001
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,794,922)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	315,895
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(17,819)
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(7,534,983)
Deferred outflows related to pension obligations are applicable to future periods and, therefore, are not reported in the funds.	<u>1,310,988</u>
Total Net Position - Governmental Activities	\$ <u><u>12,788,281</u></u>

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

HOLMES COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2015

Exhibit 4

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 4,493,575	2,428,069	6,921,644
Road & bridge privilege taxes		200,089	200,089
Licenses, commissions & other revenue	139,378	25,667	165,045
Fines and forfeitures	177,597		177,597
Intergovernmental revenues	338,733	1,360,693	1,699,426
Charges for services	77,003	341,891	418,894
Interest income	157,161	9,912	167,073
Miscellaneous revenues	152,689	174,124	326,813
Total Revenues	<u>5,536,136</u>	<u>4,540,445</u>	<u>10,076,581</u>
EXPENDITURES			
Current:			
General government	2,872,374	362,860	3,235,234
Public safety	1,537,139	417,629	1,954,768
Public works	18,693	2,832,775	2,851,468
Health & welfare	316,352		316,352
Conservation of natural resources	89,108		89,108
Economic development assistance	160,708	156,885	317,593
Debt Service:			
Principal	55,866	1,695,483	1,751,349
Interest		224,145	224,145
Total Expenditures	<u>5,050,240</u>	<u>5,689,777</u>	<u>10,740,017</u>
Excess of Revenue Over (under) Expenditures	<u>485,896</u>	<u>(1,149,332)</u>	<u>(663,436)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		1,173,891	1,173,891
Proceeds from sale of capital assets		42,564	42,564
Transfers in	55,950	326,135	382,085
Transfers out	(162,614)	(219,471)	(382,085)
Lease principal payments		26,691	26,691
Total Other Financing Sources (Uses)	<u>(106,664)</u>	<u>1,349,810</u>	<u>1,243,146</u>
Net Changes in Fund Balance	379,232	200,478	579,710
Fund Balances - Beginning	<u>3,403,765</u>	<u>2,731,546</u>	<u>6,135,311</u>
Fund Balances - Ending	<u>\$ 3,782,997</u>	<u>2,932,024</u>	<u>6,715,021</u>

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

HOLMES COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2015

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 579,710
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$1,069,113 exceeded capital outlay of \$913,520 in the current period.	(155,593)
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 \$10,404 and the proceeds from the disposition of \$42,564 in the current period.	(32,160)
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.	162,104
Items reported in the Statement of Activities related to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recognition of pension expense for the current year.	(891,145)
Recognition of contributions made subsequent to the measurement date and the first nine months of the current year.	477,006
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 \$1,751,349 exceeded debt proceeds of \$1,173,891.	577,458
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of decrease in accrued interest payable	4,482
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.	(26,691)
Change in Net Position of Governmental Activities (Exhibit 2)	\$ <u>695,171</u>

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

HOLMES COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2015

Exhibit 5

	Business-type Activities - Enterprise Fund Holmes-Humphreys Regional Correctional Facility Fund
ASSETS	
Current Assets:	
Cash	\$ 378,044
Investments - restricted	1,755,985
Other receivables	137
Intergovernmental receivables	263,732
Total Current Assets	<u>2,397,898</u>
Noncurrent Assets:	
Capital Assets:	
Land and construction in progress	120,000
Other capital assets, net	3,912,910
Total Noncurrent Assets	<u>4,032,910</u>
Total Assets	<u>6,430,808</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amount related to pensions	<u>412,310</u>
LIABILITIES	
Current Liabilities:	
Claims payable	83,284
Intergovernmental payable	9,608
Accrued interest payable	35,429
Capital debt:	
Limited obligations bonds payable	415,000
Total Current Liabilities	<u>543,321</u>
Noncurrent Liabilities:	
Capital debt:	
Limited obligations bonds payable	1,800,000
Pension liability	2,336,359
Total Noncurrent Liabilities	<u>4,136,359</u>
Total Liabilities	<u>4,679,680</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>5,814</u>
NET POSITION	
Net investment in capital assets	1,817,910
Restricted for:	
Debt service	433,133
Unrestricted	<u>(93,419)</u>
Total Net Position	<u>\$ 2,157,624</u>

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

HOLMES COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Fund
For the Year Ended September 30, 2015

Exhibit 6

	Business-type Activities - Enterprise Fund Holmes-Humphreys Regional Correctional Facility Fund
Operating Revenues	
Charges for services	\$ 3,108,571
Miscellaneous	68,368
Total Operating Revenues	<u>3,176,939</u>
Operating Expenses	
Personal services	1,357,912
Contractual services	441,688
Materials and supplies	470,661
Depreciation expense	114,682
Indirect administrative cost	68,510
Pension expense	276,316
Total Operating Expenses	<u>2,729,769</u>
Operating Income (Loss)	<u>447,170</u>
Nonoperating Revenues (Expenses)	
Interest income	159
Interest expense	(91,725)
Net Nonoperating Revenues (Expenses)	<u>(91,566)</u>
Changes in Net Position	<u>355,604</u>
Net Position - Beginning	3,603,472
Prior period adjustment	(1,801,452)
Net Position - Beginning, as restated	<u>1,802,020</u>
Net Position - Ending	<u>\$ 2,157,624</u>

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

HOLMES COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2015

Exhibit 7

	Business-type Activities - Enterprise Fund Holmes-Humphreys Regional Correctional Facility Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 3,151,768
Payments to suppliers	(948,952)
Payments to employees	(1,505,770)
Payments to general fund for indirect costs	(68,510)
Other operating cash receipts	77,039
Net Cash Provided (Used) by Operating Activities	<u>705,575</u>
Cash Flows From Capital and Related Financing Activities	
Repayment of interfund loans	
Principal paid on long-term debt	(485,069)
Interest paid on debt	(99,135)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(584,204)</u>
Cash Flows From Investing Activities	
Sale of investments	(114,588)
Interest and dividends on investments	159
Net Cash Provided (Used) by Investing Activities	<u>(114,429)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,942
Cash and Cash Equivalents at Beginning of Year	<u>371,102</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 378,044</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>447,170</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	114,682
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivable	44,233
(Increase) decrease in other receivables	7,635
(Increase) decrease in deferred outflows of resources	(147,905)
Increase (decrease) in pension liability	276,316
Increase (decrease) in payables	(36,556)
Total Adjustments	<u>258,405</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 705,575</u></u>

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

HOLMES COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 648,571
Total Assets	\$ 648,571
LIABILITIES	
Due to other funds	\$ 5,000
Advances from other funds	533,193
Amounts held in custody for others	24,955
Intergovernmental payables	85,423
Total Liabilities	\$ 648,571

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, 2015

(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.

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities 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 and report all financial resources not accounted for and reported in another fund.

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.

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

F. Receivables.

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

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."

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

H. Restricted Assets.

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

I. Capital Assets.

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

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

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

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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:

	Capitalization Thresholds	Estimated Useful Life
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 assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period 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.

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

Unavailable revenue-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.

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Special assessment tax for future reporting period/unavailable revenue-special assessment 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.

K. Pensions.

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

L. Long-term Liabilities.

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

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

M. 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."

Net Position Flow Assumption:

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

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Fund Financial Statements:

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

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

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

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

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

Fund Balance Flow Assumptions:

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

N. 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.

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

O. 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.

P. Change in Accounting Standards

The county implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pension - an amendment of GASB Statement No. 27*; GASB Statement No. 69, *Government Combinations and Disposal of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Governmental Activities:	
To record beginning balance of pension liability in accordance with GASB Statement No. 68	\$ <u>(5,809,856)</u>
Business-type Activities:	
To record beginning balance of pension liability in accordance with GASB Statement No. 68	<u>(1,801,452)</u>

Exhibit 6 - Statement of Net Position - Proprietary Fund

<u>Explanation</u>	<u>Amount</u>
To record beginning balance of pension liability in accordance with GASB Statement No. 68	<u>(1,801,452)</u>
Total prior period adjustments	\$ <u><u>(1,801,452)</u></u>

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2015, was \$7,628,804 and the bank balance was \$8,047,505. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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, 2015, 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>1,755,985</u>	AAAm
Total		\$ <u><u>1,755,985</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 Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investment 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.

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2015.

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 433,734
General	Agency Fund	5,000
Other Governmental Funds	General	<u>45,014</u>
Total		<u>\$ 483,748</u>

The receivables represent the tax revenue collected but not settled until October, 2015, monies paid to fund projects until grant proceeds are received. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

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

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 55,950
Other Governmental Funds	General Fund	162,614
Other Governmental Funds	Other Governmental Funds	<u>163,521</u>
Total		<u>\$ 382,085</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. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2015, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tag credit	\$ 72,708
Timber severance tax	674
Reimbursement for city garbage pickup	29,150
Welfare reimbursement	8,154
Drug Court	11,371
Mississippi Emergency Management	1,374
State Tri Ad grant	5,000
Motor vehicle license	10,543
Motor vehicle fuel tax	50,866
Harvest permits	1,384
Overweight fines	902
Miscellaneous	1,870
Total Governmental Activities	\$ 193,996
Business-type Activities:	
Reimbursement for housing state inmates	\$ 253,038
Reimbursement for housing city inmates	10,694
Total Business-type Activities	\$ 263,732

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental Activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
Non-depreciable Capital Assets					
Land	\$ 342,449	7,500			349,949
Construction in progress	362,503	402,053			764,556
Total Non-depreciable Capital Assets	704,952	409,553	0	0	1,114,505
Depreciable Capital Assets					
Infrastructure	10,455,400				10,455,400
Buildings	7,441,190				7,441,190
Mobile equipment	4,314,477	42,500	130,751		4,226,226
Furniture and equipment	745,290	272,664			1,017,954
Leased property under capital leases	3,569,294	188,803			3,758,097
Total Depreciable Capital Assets	26,525,651	503,967	130,751	0	26,898,867

(Continued)

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
Less accumulated depreciation for:					
Infrastructure	2,183,654	288,355			2,472,009
Buildings	2,179,698	126,275			2,305,973
Mobile equipment	3,096,920	217,897	98,591		3,216,226
Furniture and equipment	567,966	82,296			650,262
Leased property under capital leases	822,512	354,290			1,176,802
Total Accumulated Depreciation	8,850,750	1,069,113	98,591	0	9,821,272
Total Depreciable Capital Assets - Net	17,674,901	(565,146)	32,160	0	17,077,595
Governmental Activities Capital Assets - Net	\$ 18,379,853	(155,593)	32,160	0	18,192,100
<u>Business-type Activities:</u>					
	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
Non-depreciable Capital Assets					
Land	\$ 120,000				120,000
Total Non-depreciable Capital Assets	120,000	0	0	0	120,000
Depreciable Capital Assets					
Buildings	5,333,915				5,333,915
Improvements other than buildings	36,149				36,149
Mobile equipment	134,933				134,933
Furniture and equipment	72,211				72,211
Total Depreciable Capital Assets	5,577,208	0	0	0	5,577,208
Less accumulated depreciation for:					
Buildings	1,367,224	106,678			1,473,902
Improvements other than buildings	9,761	1,627			11,388
Mobile equipment	121,441				121,441
Furniture and equipment	51,190	6,377			57,567
Total Accumulated Depreciation	1,549,616	114,682	0	0	1,664,298
Total Depreciable Capital Assets - Net	4,027,592	(114,682)	0	0	3,912,910
Business-type Activities Capital Assets - Net	\$ 4,147,592	(114,682)	0	0	4,032,910

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 126,916
Public safety	119,166
Public works	774,553
Health and welfare	39,628
Economic development	<u>8,850</u>
Total governmental activities depreciation expense	<u>\$ 1,069,113</u>
Business-type Activities:	
Correctional facility	<u>\$ 114,682</u>

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015 to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) 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, 2015:

<u>Classes of Property</u>	<u>Amount</u>
Buildings	\$ 495,000
Land	<u>53,000</u>
Total	<u>\$ 548,000</u>

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2015, are as follows:

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 22,861	7,641
2017	28,198	8,405
2018	29,056	7,548
2019	29,939	6,664
2020	30,850	5,753
2021-2025	168,908	14,108
2026-2030	<u>6,083</u>	<u>14</u>
Total	<u>\$ 315,895</u>	<u>50,133</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ <u>3,758,097</u>
Total	3,758,097
Less: Accumulated Depreciation	<u>1,176,802</u>
Leased Property under Capital Leases	<u>\$ 2,581,295</u>

The following is a schedule by years of the total payments due as of September 30, 2015:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,025,477	34,124
2017	596,181	17,096
2018	321,526	8,416
2019	174,314	3,234
2020	<u>11,522</u>	<u>81</u>
Total	<u>\$ 2,129,020</u>	<u>62,951</u>

(9) 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 publically available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building 429 Mississippi Street, Jackson, MS 39201-1005 or by Calling 1-800-444-PERS.

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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

Contributions. At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The employer's share at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ended September 30, 2015, 2014 and 2013 were \$624,911, \$627,240 and \$598,819 respectively, equal to the required contribution for each year.

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

At September 30, 2015, the county reported a liability of \$9,871,342 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on a projection of the county's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the county's proportion was .063859 percent, which was a decrease of 0.000211 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the county recognized pension expense of \$1,167,461. At September 30, 2015, the county reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 151,915	
Net difference between projected and actual earnings on pension plan investments	577,579	
Changes of assumptions	850,382	
Changes in the County's proportion and differences between the County's contributions and proportionate share of contributions		24,568
County contributions subsequent to the measurement date	162,176	
Total	\$ 1,742,052	24,568

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

\$162,176 reported as deferred outflows of resources related to pension resulting from county contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:

2016	\$ 503,854
2017	503,854
2018	403,206
2019	<u>144,394</u>
Total	<u>\$ 1,555,308</u>

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimated future real rates of return (expected nominal returns, net of pension plan investments expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Broad	34.00%	5.20%
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	<u>1.00</u>	<u>(0.50)</u>
Total	<u>100.00%</u>	

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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

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

	1% Decrease (6.75%)	1% Increase (8.75%)	Discount Rate (7.75%)
County's proportionate share of the net pension liability	\$ 13,011,333	\$ 7,265,737	\$ 9,871,342

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at www.pers.ms.gov.

(10) Long-term Debt.

Debt outstanding as of September 30, 2015, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
District 2 road and bridge	\$ 30,000	4.10%	09-2016
County building bond	1,490,000	3.75/5.125%	09-2028
County road and building	1,455,000	3.10/4.25%	08-2025
District 3 road and bridge	82,538	2.13%	06-2017
District 4 road and bridge	61,903	2.13%	06-2017
District 4 road and bridge	495,000	2.30/3.20%	08-2023
District 2 R & B Bonds, Series 2014	228,000	1.90%	09-2024
District 3 R & B Bonds, Series 2014	183,000	1.90%	09-2024
District 4 R & B Bonds, Series 2014	203,000	1.90%	09-2024
Total General Obligation Bonds	\$ 4,228,441		

(Continued)

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
Kubota tractor and cutter	\$ 8,812	1.96%	07-2016
Kubota tractor	7,372	1.96%	07-2016
Kubota tractor and bush hog	20,083	2.19%	08-2017
Mack truck	71,276	1.94%	07-2016
Volvo motor grader	124,791	2.01%	11-2015
JD 6430 tractor	9,159	1.80%	05-2016
Caterpillar motor grader	128,050	2.12%	06-2017
Mack truck	71,276	1.94%	07-2016
Caterpillar motor grader	23,333	2.12%	07-2017
2 Mack trucks	142,551	1.94%	07-2016
E-911 system	86,575	2.51%	12-2018
2 garbage trucks	196,778	1.83%	02-2016
Garbage truck	101,368	1.78%	02-2016
JD tractor w/tiger boom	36,184	1.96%	02-2017
JD tractor w/tiger boom	36,184	1.96%	02-2017
JD tractor w/tiger boom	36,184	1.96%	02-2017
Kobelco excavator	52,615	2.24%	09-2018
Volvo motor grader	138,359	2.06%	12-2016
Volvo motor grader	138,359	2.06%	12-2016
2 Mack trucks	218,643	2.26%	03-2019
Volvo motor grader	122,003	1.90%	09-2019
Volvo motor grader	122,003	2.24%	09-2019
Case extendahoe	45,161	2.27%	04-2020
Kobelco excavator	56,979	2.29%	12-2018
JD utility tractor 5100E	48,031	1.96%	05-2018
Case extendahoe 580 SN	45,763	2.19%	03-2020
JD tractor	41,128	2.22%	03-2019
Total Capital Leases	<u>\$ 2,129,020</u>		
C. Other Loans:			
Capital improvement loan	\$ 317,461	3.00%	11-2025
Negotiable note - road repairs	<u>120,000</u>	1.48%	09-2019
Total Other Loans	<u>\$ 437,461</u>		
Business-type Activities:			
Limited Obligation Bonds:			
Urban renewal revenue bonds	<u>\$ 2,215,000</u>	* 3.00/4.00%	06-2020
Total Limited Obligation Bonds	<u>\$ 2,215,000</u>		

- * Limited obligation urban renewal revenue refunding bonds were issued with a face value of \$4,210,000 for the purpose of the refunding and redemption of the outstanding principal of the county's Urban Renewal Revenue Bonds (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.

HOLMES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2015

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
2016	\$ 450,459	138,623	57,297	11,082
2017	434,982	123,431	58,128	9,808
2018	379,000	109,607	58,983	8,508
2019	393,000	97,343	59,865	7,183
2020	355,000	85,351	30,773	5,830
2021-2025	1,796,000	244,246	168,486	14,529
2026-2030	420,000	31,874	3,929	45
Total	\$ 4,228,441	830,475	437,461	56,985

Business-type Activities:

Year Ending September 30:	Limited Obligation	
	Principal	Interest
2016	\$ 415,000	77,775
2017	425,000	62,756
2018	440,000	46,200
2019	460,000	28,200
2020	475,000	9,500
Total	\$ 2,215,000	224,431

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, 2015, the amount of outstanding debt was equal to 3.53 % of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Adjustments	Balance Sept. 30, 2015	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 4,054,410	700,000	525,969		4,228,441	450,459
Capital leases	2,476,244	473,891	821,115		2,129,020	1,025,477
Other loans	841,726		404,265		437,461	57,297
Total	\$ 7,372,380	1,173,891	1,751,349	0	6,794,922	1,533,233
Business-type Activities:						
General obligation bonds	\$ 85,069		85,069			
Limited obligation bonds	2,615,000		400,000		2,215,000	415,000
Total	\$ 2,700,069	0	485,069	0	2,215,000	415,000

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2015:

Fund	Deficit Amount
AOC/Drug - DUI Fund	\$ 48,134
Law Library	3,434
Municipal Solid Waste	167,408
District 1 Road Fund	15,300
District 3 Road Fund	85,404
District 3 Bridge & Culvert Fund	77,691
Engineer State Aid Project Fund	13,475
District 5 Road Repair	38,247
Lexington Homes I & S Fund	4,981
Bond Fund 2013	4,436

(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) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Holmes County Board of Supervisors appoints six of the 22 members of the board of trustees. The county appropriated \$511,070 for maintenance and support of the college in fiscal year 2015.

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 \$174,371 for maintenance and support of the library in fiscal year 2015.

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 2015.

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2015

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 2015.

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 2015.

(15) 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 April 14, 2017, (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>
05/25/2016	1.96%	\$ 351,200	Lease purchase	Ad valorem tax
09/16/2016	2.147%	\$ 150,000	Negotiable note	Ad valorem tax
10/26/2016	2.25%	\$ 52,009	Lease purchase	Ad valorem tax
12/03/2016	2.43%	\$ 125,000	Lease purchase	Ad valorem tax
12/09/2016	2.09%	\$ 411,000	Lease purchase	Ad valorem tax
02/03/2017	2.34%	\$ 401,000	Lease purchase	Ad valorem tax

HOLMES COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

HOLMES COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,343,044	4,488,798	4,488,798	
Licenses, commissions and other revenue	161,000	140,084	140,084	
Fines and forfeitures	194,000	177,687	177,687	
Intergovernmental revenues	431,927	449,504	449,504	
Charges for services	45,000	73,119	73,119	
Interest income	135,000	156,594	156,594	
Miscellaneous revenues	160,410	191,117	191,117	
Total Revenues	<u>5,470,381</u>	<u>5,676,903</u>	<u>5,676,903</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,121,668	3,103,980	3,103,980	
Public safety	1,626,089	1,607,490	1,607,490	
Public works	34,856	20,461	20,461	
Health and welfare	386,822	315,159	315,159	
Conservation of natural resources	109,865	89,137	89,137	
Economic development and assistance	161,025	149,597	149,597	
Total Expenditures	<u>5,440,325</u>	<u>5,285,824</u>	<u>5,285,824</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>30,056</u>	<u>391,079</u>	<u>391,079</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	323,000	124,460	124,460	
Other financing uses	<u>(383,000)</u>	<u>(162,614)</u>	<u>(162,614)</u>	
Total Other Financing Sources and Uses	<u>(60,000)</u>	<u>(38,154)</u>	<u>(38,154)</u>	<u>0</u>
Net Change in Fund Balance	(29,944)	352,925	352,925	0
Fund Balances - Beginning	<u>1,775,000</u>	<u>3,003,423</u>	<u>3,003,423</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,745,056</u>	<u>3,356,348</u>	<u>3,356,348</u>	<u>0</u>

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

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

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	9,871,342	7,776,925
County's proportionate share of the new pension liability (asset)	0.063859 %	0.064070 %
County's covered-employee payroll	3,989,537	3,914,997
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.430767 %	198.644469 %
Plan fiduciary net position as a percentage of the total pension liability	61.703983 %	67.207687 %

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and until a full 10-year trend is compiled, the entity has only presented information for the years in which information was available.

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

HOLMES COUNTY
Schedule of the County's Contributions
PERS
Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contribution	\$ 624,911
Contributions in relation to the contractually required contribution	<u>624,911</u>
Contribution deficiency (excess)	\$ <u><u>0</u></u>
County covered-employee payroll	\$ 3,967,683
Contributions as a percentage of covered-employee payroll	15.75 %

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and until a full 10-year trend is compiled, the entity has only presented information for the years in which information was available.

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

HOLMES COUNTY

Notes to the Required Supplementary Information - UNAUDITED For the Year Ended September 30, 2015

(1) Budget.

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:

		General Fund
		<u> </u>
Budget (Cash Basis)	\$	352,925
Increase (Decrease)		
Net adjustments for revenue accruals		(209,277)
Net adjustments for expenditure accruals		<u>235,584</u>
GAAP Basis	\$	<u><u>379,232</u></u>

HOLMES COUNTY

Notes to the Required Supplementary Information - UNAUDITED For the Year Ended September 30, 2015

- (2) Schedule of the County's Proportionate Share of Net Pension Liability and Schedule of the County's Contributions.

Changes of Assumptions.

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Health Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect accrual experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

HOLMES COUNTY

SUPPLEMENTAL INFORMATION

HOLMES COUNTY
Reconciliation of Operating Costs of Solid Waste - UNAUDITED
For the Year Ended September 30, 2015

Operating Expenditures, Cash Basis:

Salaries	\$ 203,598
Expendable Commodities:	
Gasoline and petroleum products	70,878
Tires and tubes	11,791
Repair parts	17,857
Supplies	8,761
Contractual services	4,283
Solid waste disposal fees	108,155
Other miscellaneous	14,599
Telephone	2,022
Principal retirement and interest	<u>107,484</u>
Solid Waste Cash Basis Operating Expenditures	549,428
Full Cost Expenses:	
Indirect administrative costs	9,846
Depreciation on equipment	27,274
Net effect of other accrued expenses	<u>1,163</u>
Solid Waste Full Cost Operating Expenses	\$ <u><u>587,710</u></u>

HOLMES COUNTY

OTHER INFORMATION

HOLMES COUNTY
Schedule of Surety Bonds for County Officials - UNAUDITED
For the Year Ended September 30, 2015

Name	Position	Company	Bond
Leonard "Hamp" Hampton	Supervisor, District 1	RLI Insurance Co.	\$100,000
James Young	Supervisor, District 2	Nationwide	\$100,000
Debra Mabry	Supervisor, District 3	Nationwide	\$100,000
Larry Davis	Supervisor, District 4	Nationwide	\$100,000
Willie Townsend	Supervisor, District 5	Nationwide	\$100,000
Henry Lockett	Chancery Clerk	Nationwide	\$100,000
Carolyn Pepper	Deputy Chancery Clerk	Nationwide	\$ 50,000
Charlie Joiner	Purchase Clerk	Western Surety	\$ 75,000
Charlie Joiner	County Administrator	Western Surety	\$100,000
Caldonia Wiley	Bookkeeper	Nationwide	\$ 50,000
Vanessa Truss	Assistant Purchase Clerk	Nationwide	\$ 50,000
Charlie Lockett	Receiving Clerk	RLI Insurance Co.	\$ 75,000
Charlie Lockett	Deputy Chancery Clerk	Nationwide	\$ 50,000
Jerissia D. Quinn	Assistant Receiving Clerk	Travelers	\$ 50,000
Alanda Taylor	Deputy Tax Collector/Assessor	RLI Insurance Co.	\$ 50,000
Willie March	Assistant Receiving Clerk	Nationwide	\$ 50,000
Alfonso Mayfield	Assistant Receiving Clerk	Nationwide	\$ 50,000
Mary R. McGee	Assistant Receiving Clerk	Nationwide	\$ 50,000
John David Montgomery, Jr.	Assistant Receiving Clerk	Nationwide	\$ 50,000
Betsy K. Padgett	Assistant Receiving Clerk	Nationwide	\$ 50,000
Alphonzo Greer	Assistant Receiving Clerk	Western Surety	\$ 50,000
Roosevelt Stroud	Assistant Receiving Clerk	Nationwide	\$ 50,000
L. C. Tate	Assistant Receiving Clerk	Nationwide	\$ 50,000
Brenda P. Travis	Assistant Receiving Clerk	Nationwide	\$ 50,000
Verkeisha Wilkes	Assistant Receiving Clerk	Nationwide	\$ 50,000
Charlie Joiner	Inventory Control Clerk	Western Surety	\$ 75,000
Willie March	Sheriff	RLI Insurance Co.	\$100,000
Willie Anderson	Constable	Nationwide	\$ 50,000
Sharkey Ford	Constable	Nationwide	\$ 50,000
Earline Wright-Hart	Circuit Clerk	Hartford	\$100,000
Brenda Travis	Deputy Circuit Clerk	RLI Insurance Co.	\$ 50,000
Myra E. Meeks	Deputy Circuit Clerk	RLI Insurance Co.	\$ 50,000
Jerry Fisher	Justice Court Judge	Nationwide	\$ 50,000
Shirley Neal, III	Justice Court Judge	Western Surety	\$ 50,000
Stella Ross	Justice Court Clerk	Nationwide	\$ 50,000
Lillie Simmons	Deputy Justice Court Clerk	Nationwide	\$ 50,000
Patricia Watts	Deputy Justice Court Clerk	Western Surety	\$ 50,000
Mary R. McGee	Tax Collector and Tax Assessor	RLI Insurance Co.	\$100,000
Wanda Sue Harrell	Deputy Tax Collector/Assessor	RLI Insurance Co.	\$ 50,000

(Continued)

HOLMES COUNTY
Schedule of Surety Bonds for County Officials - UNAUDITED
For the Year Ended September 30, 2015

<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	County Appraiser	RLI Insurance Co.	\$ 10,000
Jaqueline Wilson	Deputy Tax Assessor	Western Surety	\$ 10,000
Sandra Green	Deputy Tax Assessor	RLI Insurance Co.	\$ 50,000
J. Wayne Morrison	County Engineer	Nationwide	\$ 50,000
Leonard Jones	Deputy Assessor	Western Surety	\$ 10,000
Kimberly Landfair	Administrative Assistant	Hartford	\$ 25,000
Vickie Andrews	Administrative Assistant	Nationwide	\$ 10,000
Gyrone Granderson	Emergency Management Director	Nationwide	\$ 10,000
Wilma Jones	HHRCF Office Manager	Nationwide	\$ 20,000
Barry Rule	Warden, HHRCF	RLI Insurance Co.	\$ 25,000
Debra Randle	Deputy Circuit Clerk	RLI Insurance Co.	\$ 50,000

HOLMES COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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, 2015, which collectively comprise the county's basic financial statements and have issued our report thereon dated April 14, 2017. 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 county'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 county'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
April 14, 2017

Windham and Lacey, PLLC

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

Members of the Board of Supervisors
Holmes County, Mississippi

We have examined Holmes County, Mississippi's compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972), and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972), during the year ended September 30, 2015. 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.

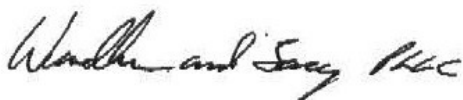
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly included examining, on a test basis, evidence about the county's compliance with those requirements and performing other procedures as we considered 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, 2015.

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
April 14, 2017

HOLMES COUNTY

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2015

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, 2015

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
04/06/2015	AS 400 Computer System	\$ 22,138	Data Systems Management	Complete shut down

HOLMES COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

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

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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, 2015, 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 April 14, 2017, 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

I will comply.

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

I will comply.

Election Commissioners.

3. Finding

Statutory authority of the Miss. Code Ann. (1972), governs duties performed by election commissioners. Certain duties are legally mandated, while others are allowed at the discretion of the Board of Supervisors, solely by contractual agreement. For calendar years 2014 and 2015, while the duties performed by the election commissioners were necessary duties, work performed by the commissioners and paid by the Board of Supervisors were not all statutorily allowable to be paid by the Board. The overpayments were collectively \$8,011 for 2014 and \$12,066 for 2015. Failure to adhere to statutory authorization for per diem payments could result in loss or misappropriation of public funds.

Recommendation

Election Commissioners should submit pay requests to the Board of Supervisors only for duties that are allowed statutorily to be paid to them.

Election Commissioners' Response

District 1 Election Commissioner had the following response:

In recognition of overpayment request and reception, I have submitted to the Holmes County Board of Supervisors relative fund in two payments of \$1,428 and \$2,940 which is a total of \$4,098 overpayment. I am sorry for any inconvenience I have caused anyone in my oversight.

District 2 Election Commissioner had the following response:

We disagree with your findings of calculations made in your report for the years 2014 & 2015. We are researching our minutes & records. We are in the process of putting together a letter for you & the Board of Supervisors of our findings. We have minutes & documentation to confirm our findings.

No other written responses were noted.

Justice Court Clerk.

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

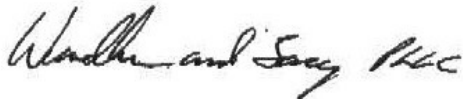
The Sheriff's Office should make daily deposits to insure proper internal controls over cash.

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 county and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Windham and Lacey, PLLC". The signature is written in a cursive, flowing style.

Windham and Lacey, PLLC
April 14, 2017

HOLMES COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

HOLMES COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2015

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*.