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Holmes County, Mississippi
Audited Financial Statements
And Special Reports
For the Year Ended
September 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

Holmes County, Mississippi
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FINANCIAL REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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, (the County) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements 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.

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 above 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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 and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions 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 require 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holmes County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the accompanying Reconciliation of Operating Costs of Solid Waste are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Reconciliation of Operating Costs of Solid Waste are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Surety Bonds for County Officials has 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 December 6, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Holmes County, Mississippi's 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.

FORTENBERRY & BALLARD, PC

Fortenberry and Ballard, PC
December 6, 2021

Certified Public Accountants

FINANCIAL STATEMENTS

HOLMES COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2017

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 11,958,380	\$ 5,456	\$ 11,963,836
Investments - restricted		1,647,478	1,647,478
Property tax receivable	7,672,000		7,672,000
Fines receivable (net of allowance for uncollectibles of \$1,994,466)	466,891		466,891
Advances to agency fund	533,193		533,193
Capital leases receivable	295,876		295,876
Intergovernmental receivables	1,182,440	196,566	1,379,006
Other receivables	53,746	4,375	58,121
Internal balances	41,678	(41,678)	0
Capital assets:			
Land and construction in progress	6,392,468	120,000	6,512,468
Other capital assets, net	19,207,502	3,708,714	22,916,216
Total Assets	47,804,174	5,640,911	53,445,085
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	557,059	193,025	750,084
Total Deferred Outflows of Resources	557,059	193,025	750,084
LIABILITIES			
Claims payable	2,890,403	70,562	2,960,965
Amounts held in custody for others	111,569		111,569
Intergovernmental payables	148,992		148,992
Accrued interest payable	31,002	22,917	53,919
Long-term liabilities			
Net pension liability	8,085,665	2,510,418	10,596,083
Due within one year:			
Capital debt	972,808	440,000	1,412,808
Non-capital debt	340,923		340,923
Due in more than one year:			
Capital debt	4,525,405	935,000	5,460,405
Non-capital debt	2,889,781		2,889,781
Total Liabilities	19,996,548	3,978,897	23,975,445
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	60,014	17,303	77,317
Deferred revenues - property taxes	7,672,000		7,672,000
Deferred inflows - capital lease interest	34,086		34,086
Total deferred inflows of resources	7,766,100	17,303	7,783,403
NET POSITION			
Net investment in capital assets	20,101,757	2,453,714	22,555,471
Restricted for:			
Expendable:			
General government	226,438		226,438
Public safety	588,371		588,371
Public works	4,353,824		4,353,824
Health and welfare	45,699		45,699
Culture and recreation			0
Economic development and assistance	191,273		191,273
Debt service	747,964	434,417	1,182,381
Unemployment compensation	20,000		20,000
Nonexpendable	533,193		533,193
Unrestricted	(6,209,934)	(1,050,395)	(7,260,329)
Total Net Position	\$ 20,598,585	\$ 1,837,736	\$ 22,436,321

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

HOLMES COUNTY, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2017

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ (3,508,487)	\$ 366,141	\$ 301,404	\$	\$ (2,840,942)	\$	\$ (2,840,942)
Public safety	(1,565,044)	194,251	298,600		(1,072,193)		(1,072,193)
Public works	(8,074,480)	23,251	3,956,605	4,001,922	(92,702)		(92,702)
Health and welfare	(338,955)		43,567		(295,388)		(295,388)
Conservation of natural resources	(79,238)				(79,238)		(79,238)
Economic development and assistance	(223,326)				(223,326)		(223,326)
Interest on long-term debt	(282,642)				(282,642)		(282,642)
Pension expense	(1,192,812)				(1,192,812)		(1,192,812)
Total Governmental Activities	<u>(15,264,984)</u>	<u>583,643</u>	<u>4,600,176</u>	<u>4,001,922</u>	<u>(6,079,243)</u>		<u>(6,079,243)</u>
Business-type activities:							
Regional jail	<u>(2,783,911)</u>	<u>2,506,095</u>	<u>0</u>	<u>0</u>		<u>(277,816)</u>	<u>(277,816)</u>
Total Business-type Activities	<u>(2,783,911)</u>	<u>2,506,095</u>	<u>0</u>	<u>0</u>		<u>(277,816)</u>	<u>(277,816)</u>
Total Primary Governmen	<u>\$ (18,048,895)</u>	<u>\$ 3,089,738</u>	<u>\$ 4,600,176</u>	<u>\$ 4,001,922</u>	<u>\$ (6,079,243)</u>	<u>\$ (277,816)</u>	<u>\$ (6,357,059)</u>
General revenues:							
Property taxes					\$ 7,955,076	\$	\$ 7,955,076
Road & bridge privilege taxes					200,896		200,896
Grants and contributions not restricted to specific programs					940,550		940,550
Unrestricted interest income					230,951	4,453	235,404
Miscellaneous					306,503	58,368	364,871
Total General Revenues					<u>9,633,976</u>	<u>62,821</u>	<u>9,696,797</u>
Changes in Net Position					<u>3,554,733</u>	<u>(214,995)</u>	<u>3,339,738</u>
Net Position - Beginning, as previously reported					16,928,377	2,052,731	18,981,108
Prior period adjustments					115,475		115,475
Net Position - Beginning, as restated					<u>17,043,852</u>	<u>2,052,731</u>	<u>19,096,583</u>
Net Position - Ending					<u>\$ 20,598,585</u>	<u>\$ 1,837,736</u>	<u>\$ 22,436,321</u>

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

HOLMES COUNTY, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2017

Exhibit 3

	Major Funds			Other	Total
	General	Engineer	FEMA Federal	Governmental	Governmental
	Fund	State Aid	Disaster	Funds	Funds
ASSETS					
Cash	\$ 3,119,112	\$	\$ 2,703,742	\$ 6,135,526	\$ 11,958,380
Property tax receivable	4,706,850			2,965,150	7,672,000
Fines receivable (net of allowance for uncollectibles of \$1,994,466)	466,891				466,891
Capital lease receivable				295,876	295,876
Intergovernmental receivables	94,570		790,404	297,466	1,182,440
Other receivables	34,279			19,467	53,746
Due from other funds	2,198,302			55,034	2,253,336
Advances to other funds	533,193				533,193
Total Assets	<u>\$ 11,153,197</u>	<u>\$ 0</u>	<u>\$ 3,494,146</u>	<u>\$ 9,768,519</u>	<u>\$ 24,415,862</u>
LIABILITIES					
Liabilities:					
Claims payable	\$ 77,342	\$	\$ 2,564,133	\$ 248,928	\$ 2,890,403
Amounts held in custody for others	100,845			10,724	111,569
Intergovernmental payables	148,992				148,992
Due to other funds	53,034		1,769,885	388,739	2,211,658
Total Liabilities	<u>380,213</u>	<u>0</u>	<u>4,334,018</u>	<u>648,391</u>	<u>5,362,622</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	4,706,850			2,965,150	7,672,000
Unavailable revenue - capital leases				295,876	295,876
Unavailable revenue - fines	466,891				466,891
Total deferred inflows of resources	<u>5,173,741</u>	<u>0</u>	<u>0</u>	<u>3,261,026</u>	<u>8,434,767</u>
Fund balances:					
Nonspendable:					
Advances	533,193				533,193
Restricted for:					
General government				226,438	226,438
Public safety				588,371	588,371
Public works				4,353,824	4,353,824
Health and welfare				45,699	45,699
Economic development and assistance				191,273	191,273
Unemployment compensation				20,000	20,000
Debt service				778,966	778,966
Unassigned	5,066,050		(839,872)	(345,469)	3,880,709
Total Fund Balances	<u>5,599,243</u>	<u>0</u>	<u>(839,872)</u>	<u>5,859,102</u>	<u>10,618,473</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,153,197</u>	<u>\$ 0</u>	<u>\$ 3,494,146</u>	<u>\$ 9,768,519</u>	<u>\$ 24,415,862</u>

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

HOLMES COUNTY, MISSISSIPPI**Exhibit 3-1**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2017

Total Fund Balance - Governmental Funds	\$ 10,618,473
Amounts reported for governmental activities in the statement of net position 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 \$11,283,384.	25,599,970
Other long-term assets are not available to pay for current period expenditure and, therefore, are deferred in the funds.	466,891
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,728,917)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds	(31,002)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds	261,790
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	557,059
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	(60,014)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,085,665)</u>
Total Net Position - Governmental Activities	\$ <u><u>20,598,585</u></u>

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

HOLMES COUNTY, MISSISSIPPI**Exhibit 4**

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2017

	Major Funds			Other	Total
	General Fund	Engineer State Aid	FEMA Federal Disaster	Governmental Funds	Governmental Funds
REVENUES					
Property taxes	\$ 4,890,208	\$	\$	\$ 3,064,868	\$ 7,955,076
Road and bridge privilege taxes				200,896	200,896
Licenses, commissions and other revenue	171,267			25,951	197,218
Fines and forfeitures	134,686				134,686
Intergovernmental revenues	320,113	4,239,534	3,494,146	1,488,855	9,542,648
Charges for services	77,180			170,523	247,703
Interest income	223,274			8,335	231,609
Miscellaneous revenues	146,225			146,645	292,870
Total Revenues	<u>5,962,953</u>	<u>4,239,534</u>	<u>3,494,146</u>	<u>5,106,073</u>	<u>18,802,706</u>
EXPENDITURES					
Current:					
General government	2,950,208			760,553	3,710,761
Public safety	1,434,077			280,225	1,714,302
Public works	12,174	4,239,534	4,334,018	3,907,165	12,492,891
Health and welfare	299,327				299,327
Culture and recreation	10,000				10,000
Conservation of natural resources	88,601				88,601
Economic development and assistance	107,105			59,771	166,876
Debt service:					
Principal				1,290,278	1,290,278
Interest				183,292	183,292
Bond issue cost				84,250	84,250
Total Expenditures	<u>4,901,492</u>	<u>4,239,534</u>	<u>4,334,018</u>	<u>6,565,534</u>	<u>20,040,578</u>
Excess of Revenues over (under) Expenditures	<u>1,061,461</u>	<u>0</u>	<u>(839,872)</u>	<u>(1,459,461)</u>	<u>(1,237,872)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued				1,845,627	1,845,627
Long-term non-capital debt issued				2,500,000	2,500,000
Proceeds from sale of capital assets				49,680	49,680
Transfers in		13,473		100,631	114,104
Transfers out	(114,104)				(114,104)
Lease principal payments				28,926	28,926
Total Other Financing Sources and Uses	<u>(114,104)</u>	<u>13,473</u>	<u>0</u>	<u>4,524,864</u>	<u>4,424,233</u>
Net Changes in Fund Balances	<u>947,357</u>	<u>13,473</u>	<u>(839,872)</u>	<u>3,065,403</u>	<u>3,186,361</u>
Fund Balances - Beginning	<u>4,651,886</u>	<u>(13,473)</u>	<u>0</u>	<u>2,793,699</u>	<u>7,432,112</u>
Fund Balances - Ending	<u>\$ 5,599,243</u>	<u>\$ 0</u>	<u>\$ (839,872)</u>	<u>\$ 5,859,102</u>	<u>\$ 10,618,473</u>

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

HOLMES COUNTY, MISSISSIPPI**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, 2017

Net Changes in Fund Balances - Governmental Funds	\$ 3,186,361
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$5,339,719 exceeded depreciation of \$1,151,126 in the current period.	4,188,593
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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 loss of \$11,933 and net gain of \$12,975 and the proceeds from the sales of \$49,680 in the current period.	(48,638)
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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.	4,036
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Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$4,345,627 exceeded debt repayments of \$1,290,278.	(3,055,349)
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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: (Increase) in accrued interest payable	(15,100)
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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.	(28,926)
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Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(1,192,812)
Recording of contributions made during the measurement period	516,568

Change in Net Position of Governmental Activities	\$ <u>3,554,733</u>
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The notes to the financial statements are an integral part of this statement.

HOLMES COUNTY, MISSISSIPPI
Statement of Net Position - Proprietary Fund
September 30, 2017

Exhibit 5

	<u>Business-type Activities</u>
	<u>Holmes-Humphreys</u>
	<u>Regional Correctional</u>
	<u>Facility</u>
ASSETS	
Current assets:	
Cash	\$ 5,456
Investments - restricted	1,647,478
Intergovernmental receivable:	196,566
Other receivables	4,375
Total Current Assets	<u>1,853,875</u>
Noncurrent assets:	
Land and construction in progress	120,000
Other capital assets, net	3,708,714
Total Noncurrent Assets	<u>3,828,714</u>
Total Assets	<u>5,682,589</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension:	193,025
Total Deferred Outflows of Resource:	<u>193,025</u>
 LIABILITIES	
Current liabilities:	
Claims payable	70,562
Due to other funds	41,678
Accrued interest payable	22,917
Long-term liabilities:	
Capital debt due within one year:	
Limited obligation bonds payable	440,000
Total Current Liabilities	<u>575,157</u>
Noncurrent liabilities:	
Net pension liability	2,510,418
Long-term liabilities:	
Capital debt due in more than one year	
Limited obligation bonds payable	935,000
Total Noncurrent Liabilities	<u>3,445,418</u>
Total Liabilities	<u>4,020,575</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension:	17,303
Total Deferred Inflows of Resource:	<u>17,303</u>
 NET POSITION	
Net investment in capital assets	2,453,714
Restricted:	
Debt service	434,417
Unrestricted	(1,050,395)
Total Net Position	<u>\$ 1,837,736</u>

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

HOLMES COUNTY, MISSISSIPPI**Exhibit 6**

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2017

	<u>Business-type Activities</u>
	<u>Holmes-Humphreys</u>
	<u>Regional Correctional</u>
	<u>Facility</u>
Operating Revenues	
Charges for services	\$ 2,506,095
Miscellaneous	58,368
Total Operating Revenues	<u>2,564,463</u>
Operating Expenses	
Personal services	1,428,395
Pension expense	343,922
Contractual services	343,234
Materials and supplies	436,347
Depreciation expense	113,706
Indirect administrative cost	57,514
Total Operating Expenses	<u>2,723,118</u>
Operating Income (Loss)	<u>(158,655)</u>
Nonoperating Revenues (Expenses)	
Interest income	4,453
Interest expense	(60,793)
Net Nonoperating Revenue (Expenses)	<u>(56,340)</u>
Changes in Net Position	(214,995)
Net Position - Beginning	<u>2,052,731</u>
Net Position - Ending	<u>\$ 1,837,736</u>

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

HOLMES COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Func
For the Year Ended September 30, 2017

Exhibit 7

	Business-type Activities
	Holmes-Humphreys Regional Correctional Facility
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,535,917
Payments to suppliers	(809,498)
Payments to employee:	(1,568,665)
Payments to general fund for indirect cost:	(57,514)
Other operating cash receipts	58,368
Net Cash Provided (Used) by Operating Activities	<u>158,608</u>
Cash Flows From Capital and Related Financing Activities	
Intergovernmental loans	41,678
Acquisition and construction of capital assets	(24,192)
Principal paid on long-term debt	(425,000)
Interest paid from debt	(67,256)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(474,770)</u>
Cash Flows From Investing Activities	
Proceeds from sale and maturities of investment:	75,207
Interest and dividends on investments	4,453
Net Cash Provided (Used) by Investing Activities	<u>79,660</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(236,502)
Cash and Cash Equivalents at Beginning of Year	<u>241,958</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 5,456</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Operating income (loss)	\$ (158,655)
Adjustments to reconcile operating income (loss) to net cash	
provided (used) by operating activities	
Depreciation expense	113,706
Changes in assets, deferred outflows of resources,	
liabilities and deferred inflows of resources	
(Increase) decrease in intergovernmental receivable	29,897
(Increase) decrease in other receivable:	(75)
(Increase) decrease in deferred outflows of resource	285,935
Increase (decrease) in claims payable	(12,981)
Increase (decrease) in net pension liability	(108,229)
Increase (decrease) in intergovernmental payable:	(8,293)
Increase (decrease) in deferred inflows of resource	17,303
Total Adjustments	<u>317,263</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 158,608</u></u>

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

HOLMES COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2017

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 649,088
Total Assets	\$ <u>649,088</u>
LIABILITIES	
Advances from other funds	\$ 533,193
Amounts held in custody for others	13,091
Intergovernmental payables	102,804
Total Liabilities	\$ <u>649,088</u>

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

Holmes County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Holmes County, Mississippi (the 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 which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures 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 and 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, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

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, deferred outflows, liabilities, deferred inflows, fund balances, 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 revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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 Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

FEMA Disaster Relief Fund - This fund is used to account for all revenues and expenditures associated with debris removal associated with federal disaster 4314-DR-MS.

The County reports the following major Enterprise Fund:

Holmes-Humphreys Regional Correctional Facility Fund - This fund is used to account for the County's activities of operating the correctional facility.

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Fund - 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 TYPES

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the financial statements, are offset

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

H. Restricted Assets.

Proprietary fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain resources and revenues associated with the County’s enterprise fund revenue bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The “revenue” fund is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of the 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. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

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

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

	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(s) and so will not be recognized as an outflow of resources (expense/expenditure) 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 14 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred revenue - property tax/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 revenue – 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.

Deferred inflows – capital lease interest/unavailable revenue – capital leases – 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.

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 14 for additional details.

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

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

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 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.

In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

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.

Fund Financial Statements:

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

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

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

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 a 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 Assumption:

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 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.

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. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

(GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes.

(2) Prior Period Adjustments.

A summary of the significant net position/fund balance adjustment is as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

Explanation	Amount
To correct prior year errors in recording capital assets.	\$ 115,475

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$12,612,924, and the bank balance was \$12,853,291. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). 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:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the operations of the Holmes-Humphreys Regional Correctional Facility.

Investment balances at September 30, 2017, are as follows:

Investment Type	Maturities	Fair Value	Rating
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Business-type activities:

Hancock Horizon Treasury Securities			
Money Markey Mutual Funds	less than one year	\$ 1,647,478	AAAm

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

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 investments 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 investment 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 Securities Money Market Fund 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 federal government, investments in mutual funds or external investment pools. The County places no limit on the amount the County may invest in any one issuer.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2017:

A. Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 386,739
General Fund	FEMA Federal Disaster	1,769,885
General Fund	Holmes-Humphreys Regional Facility	41,678
Other Governmental Funds	General Fund	53,034
Other Governmental Funds	Other Governmental Funds	<u>2,000</u>
Total		\$ <u>2,253,336</u>

Certain receivables represent monies paid to fund projects until grant proceeds are received in whereas other receivables represent the tax revenue collected September 2017 but not settled until October, 2017. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances to/from Other Funds:

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

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

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2017

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 100,631
Engineer State Aid	General Fund	<u>13,473</u>
Total		<u>\$ 114,104</u>

The principal purpose of the interfund transfers is to cover operating cost and provide grant matching funds. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2017, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 66,359
Disaster assistance grant	790,404
Disaster assistance housing grant	101,176
Small municipalities grant	86,688
Various	<u>137,813</u>
Total Governmental Activities	<u>\$ 1,182,440</u>
Business-type Activities:	
Reimbursement for housing inmates	<u>\$ 196,566</u>

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2017:

Governmental activities:

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments*	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 419,949	6,050			425,999
Construction in progress	2,760,950	4,045,207		(839,688)	5,966,469
Total non-depreciable capital assets	3,180,899	4,051,257	-	(839,688)	6,392,468
<u>Depreciable capital assets:</u>					
Infrastructure	10,455,400			839,688	11,295,088
Building	9,821,190			117,832	9,939,022
Mobile equipment	4,498,676	251,461	191,359	551,860	5,110,638
Furniture and equipment	768,960	16,393			785,353
Leased property under capital leases	2,892,037	1,020,608		(551,860)	3,360,785
Total depreciable capital assets	28,436,263	1,288,462	191,359	957,520	30,490,886
<u>Less accumulated depreciated for:</u>					
Infrastructure	2,646,620	305,149			2,951,769
Buildings	2,717,848	168,691		2,357	2,888,896
Mobile equipment	3,369,383	287,495	142,721	219,777	3,733,934
Furniture and equipment	472,634	71,259			543,893
Leased property under capital leases	1,066,137	318,532		(219,777)	1,164,892
Total accumulated depreciation	10,272,622	1,151,126	142,721	2,357	11,283,384
Total depreciable capital assets, net	18,163,641	137,336	48,638	955,163	19,207,502
Governmental activities capital assets, net	\$ 21,344,540	4,188,593	48,638	115,475	25,599,970

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

Business-type activities:

	Balance Oct. 1, 2016	Additions	Adjustments*	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>				
Land	\$ 120,000			120,000
Total non-depreciable capital assets	120,000			120,000
<u>Depreciable capital assets:</u>				
Buildings	5,333,915			5,333,915
Improvements other than buildings	36,149			36,149
Mobile equipment	134,933	6,000	5,800	146,733
Furniture and equipment	72,211	18,192	(5,800)	84,603
Total depreciable capital assets	5,577,208	24,192	0	5,601,400
<u>Less accumulated depreciated for:</u>				
Buildings	1,580,580	106,680		1,687,260
Improvements other than buildings	13,015	1,626		14,641
Mobile equipment	121,441	2,123	4,176	127,740
Furniture and equipment	63,944	3,277	(4,176)	63,045
Total accumulated depreciation	1,778,980	113,706	0	1,892,686
Total depreciable capital assets, net	3,798,228	(89,514)	0	3,708,714
Business-type activities capital assets, net	\$ 3,918,228	(89,514)	0	3,828,714

Adjustments made to transfer completed construction in progress projects to infrastructure, paid out capital leases to mobile equipment to correct classification of assets and to correct an error in accumulation depreciation of buildings.

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 156,753
Public safety	108,393
Public works	789,902
Health and welfare	39,628
Culture and recreation	56,450
Total governmental activities depreciation expense	\$ 1,151,126
Business-type activities:	
Correctional facility	\$ 113,706

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

Commitments with respect to unfinished capital projects at September 30, 2017 consisted of an ongoing bridge replacement project BR 0635 7 B (Thornton-Tolarville Road) with a remaining commitment of \$2,145,000. The completion date for this project was March 7, 2019. All other state aid road projects are substantially complete with retainage to be paid.

(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, 2017, to January 1, 2018. 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 twenty years. At the end of the lease term, the building becomes the property of Lexington Homes.

The County leases the following property with varying terms and options as of September 30, 2017:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2017, are as follows:

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 29,056	\$ 7,548
2019	29,939	6,664
2020	30,850	5,753
2021	31,788	4,815
2022	32,755	3,848
2023-2026	<u>107,402</u>	<u>5,458</u>
Total	\$ <u>261,790</u>	\$ <u>34,086</u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2017:

<u>Class of Property</u>	<u>Amount</u>
Mobile equipment	\$ 3,182,322
Furniture and equipment	<u>178,463</u>
Total	3,360,785
Less: Accumulated depreciation	<u>(1,164,892)</u>
Leased Property Under Capital Leases	\$ <u>2,195,893</u>

The following is a schedule by years of the total payments due as of September 30, 2017:

Governmental Activities:

<u>Year Ending September 30</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 563,808	\$ 42,464
2019	418,379	31,642
2020	886,990	14,954
2021	205,172	3,230
2022	<u>20,864</u>	<u>230</u>
Total	\$ <u>2,095,213</u>	\$ <u>92,520</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2017, consisted of the following:

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
County Building Bond	\$ 1,315,000	3.75/5.125%	09/2028
County Road and Building	1,210,000	3.10/4.25%	08/2025
District 4 Road & Bridge Bonds	385,000	2.30/3.20%	08/2023
District 2 Road & Bridge Bonds, Series 2014	183,000	1.90%	09/2024
District 3 Road & Bridge Bonds, Series 2014	146,000	1.90%	09/2024
District 4 Road & Bridge Bonds, Series 2014	104,000	1.63%	09/2019
Countywide Road Bond, Series 2017	<u>2,500,000</u>	3.35%	03/2027
Total General Obligation Bonds	\$ <u>5,843,000</u>		
Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
E-911 System	\$ 32,692	2.51%	12/2018
Kobelco Excavator	16,908	2.24%	09/2018
(2) Mack Trucks	147,540	2.26%	05/2018
Volvo Motor Grader	85,160	1.90%	09/2019
Volvo Motor Grader	85,160	2.24%	09/2019
Case Extendahoe	25,657	2.27%	04/2020
Kobelco Excavator	21,474	2.29%	12/2018
John Deere 5100E Utility Tractor	35,006	1.96%	05/2018
Case 580SN Extendahoe	25,587	2.19%	03/2020
John Deere Tractor	16,422	2.22%	03/2019
(2) Garbage Trucks	281,653	1.96%	05/2020
2012 Volvo Motor Grader	95,695	2.24%	12/2019
2012 Volvo Motor Grader	109,950	2.43%	01/2021
(3) Western Star Trucks	372,588	2.09%	01/2020
(3) Western Star Dump Trucks	368,248	2.34%	03/2020
2012 Volvo Motor Grader	109,950	2.43%	01/2021
Caterpillar Motor Grader	98,031	2.55%	09/2021
Kubota Tractor	42,069	2.25%	10/2021
John Deere 6135E Tractor	63,713	2.64%	07/2022
Case Backhoe	<u>61,710</u>	2.64%	07/2022
Total Capital Leases	\$ <u>2,095,213</u>		

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

C. Other Loans:

Negotiable Note - Road Repairs	\$ 60,000	1.48%	09/2019
Capital Improvement Loan	259,503	3.00%	11/2025
Road District 5 - Series 2016	121,201	2.15%	09/2021
District 3 General Obligation Note	200,000	1.75%	07/2017
District 4 General Obligation Note	<u>150,000</u>	1.75%	07/2017
Total Other Loans	\$ <u>790,704</u>		

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
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Business-type Activities

A. Limited Obligation Bonds:

Urban Renewal Revenue Bonds	\$ <u>1,375,000</u>	3.00/4.00%	06/2020
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*Limited obligation urban renewal revenue 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 derived from any other governments for housing and holding prisoners.

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2018	\$ 594,000	\$ 183,242	\$ 155,923	\$ 17,273
2019	613,000	170,205	158,627	14,126
2020	585,000	150,676	131,388	10,920
2021	607,000	131,508	134,141	8,090
2022	623,000	111,293	105,125	5,197
2023-2027	<u>2,821,000</u>	<u>256,848</u>	<u>105,500</u>	<u>5,750</u>
Total	\$ <u>5,843,000</u>	\$ <u>1,003,772</u>	\$ <u>790,704</u>	\$ <u>61,356</u>

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2018	\$ 440,000	\$ 46,200
2019	460,000	28,200
2020	<u>475,000</u>	<u>9,500</u>
Total	<u>\$ 1,375,000</u>	<u>\$ 83,900</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to less than 5.06% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Reductions	Balance Sept. 30, 2017	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 3,777,982	2,500,000	434,982	5,843,000	594,000
Capital leases	1,517,805	1,345,627	768,219	2,095,213	563,808
Other loans	<u>377,781</u>	<u>500,000</u>	<u>87,077</u>	<u>790,704</u>	<u>155,923</u>
Total	<u>\$ 5,673,568</u>	<u>4,345,627</u>	<u>1,290,278</u>	<u>8,728,917</u>	<u>1,313,731</u>
Business-type Activities:					
Limited obligation bonds	<u>\$ 1,800,000</u>		<u>425,000</u>	<u>1,375,000</u>	<u>440,000</u>
Total	<u>\$ 1,800,000</u>	<u>-</u>	<u>425,000</u>	<u>1,375,000</u>	<u>440,000</u>

(10) Defined Benefit Pension Plan.

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

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, 2017, 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 rate at September 30, 2017 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 ending September 30, 2017, 2016 and 2015 were \$665,481, \$617,917, and \$624,911, respectively, equal to the required contributions for each year.

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

At September 30, 2017, the County reported a liability of \$10,596,083 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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. The County's proportionate share used to calculate the September 30, 2017 net pension liability was .063742 percent, which was based on a measurement date of June 30, 2017. This was an increase of .001714 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the County recognized pension expense of \$1,192,812 in governmental activities and \$343,922 in business-type activities for a total pension expense of \$1,536,734. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 149,290	\$ 77,317
Net differences between projected earnings and actual earnings on pension plan investments	109,158	
Changes of assumptions	111,937	
Changes in the proportion and differences between the county's contributions and proportionate share of contributions	209,114	
County contributions subsequent to the measurement date	170,585	
Total	\$ 750,084	\$ 77,317

\$170,585 reported as deferred outflows of resources related to pensions 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, 2018. 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	Amount
2018	\$ 458,386
2019	210,987
2020	37,486
2021	(204,677)
Total	\$ 502,182

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 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 2022, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment 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.

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	-
Total	<u>100.00 %</u>	

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 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 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%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 13,897,471	\$ 10,596,083	\$ 7,855,215

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2017:

Fund	Deficit Amount
FEMA Federal Disaster	\$ 839,872
AOC/Drug - DUI	60,055
Victims of Crime Grant	16,848
Law Library	2,093
Municipal Solid Waste	11,017
District 1 Road	5,962
District 3 Road	153,677
District 1 Bridge	21,056
District 3 Bridge	66,729
Lexington Homes I & S	8,032

(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. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(13) Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, Tax Abatement Disclosures. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The County disclosed no tax abatements, nor were tax abatements noted by auditors as of September 30, 2017.

(14) Effect of Deferred Amounts on Net Position

The governmental activities unrestricted net position amount of (\$6,209,934) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$132,414 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$424,625 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years.

The governmental activities unrestricted net position amount of (\$6,209,934) includes the effect of deferred inflows of resources related to pensions. The \$60,014 balance of the deferred inflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next four years.

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

The governmental activities unrestricted net position amount of (\$6,209,934) includes the effect of recognition of deferring the recognition of revenue resulting from capital lease interest. The \$34,086 balance of the deferred inflow of resources at September 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next eight-plus years.

The business-type activities unrestricted net position amount of (\$1,050,395) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$38,171 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. The \$154,874 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next three years.

The business-type activities unrestricted net position amount of (\$1,050,395) includes the effect of deferred inflows of resources related to pensions. The \$17,303 balance of the deferred inflows of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next four years.

(15) Related Organization.

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

(16) 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 twenty-two members of the college board of trustees. The County appropriated \$570,438 for maintenance and support of the College in fiscal year 2017.

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 \$208,600 for maintenance and support of the library in fiscal year 2017.

North Central Mississippi Planning and Development District operates in a district comprised of the counties of Attala, Carroll, Grenada, Holmes, LeFlore, Montgomery and Yalobusha. The Holmes County Board of Supervisors appoints four of the twenty-eight members of the board of directors. The County appropriated \$58,500 for support of the district in fiscal year 2017.

Region VI Life Help Mental Health 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 board of commissioners. The County appropriated \$26,800 for support of the center in fiscal year 2017.

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 for support of the district in fiscal year 2017.

HOLMES COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2017

(17) Subsequent Events.

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

Subsequent to September 30, 2017, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
05/2018	3.54% \$	129,500	capital lease	ad valorem revenue
05/2018	3.54%	129,500	capital lease	ad valorem revenue
10/2018	3.77%	58,405	capital lease	ad valorem revenue
04/2019	2.34%	250,000	bonded debt	ad valorem revenue
09/2019	3.85%	100,000	capital lease	ad valorem revenue
01/2020	4.19%	62,500	capital lease	ad valorem revenue
02/2020	3.16%	149,350	capital lease	ad valorem revenue
02/2020	3.16%	378,000	capital lease	ad valorem revenue
03/2020	3.16%	526,000	capital lease	ad valorem revenue
03/2020	3.35%	464,000	capital lease	ad valorem revenue
04/2020	2.93%	40,900	capital lease	ad valorem revenue
09/2020	0.14%	400,000	bonded debt	ad valorem revenue
12/2020	0.42%	200,000	other loan	ad valorem revenue
03/2021	2.99%	210,586	capital lease	ad valorem revenue
03/2021	2.99%	242,965	capital lease	ad valorem revenue
03/2021	2.99%	192,460	capital lease	ad valorem revenue
04/2021	2.99%	151,900	capital lease	ad valorem revenue
04/2021	1.23%	1,749,000	bonded debt	ad valorem revenue

REQUIRED SUPPLEMENTARY INFORMATION

HOLMES COUNTY, MISSISSIPPI

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

General Fund

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Property taxes	\$ 4,738,952	\$ 4,784,058	\$ 4,784,058	\$ -
Licenses, commissions and other revenue	127,900	276,288	276,288	-
Fines and forfeitures	171,000	142,030	142,030	-
Intergovernmental revenues	498,207	409,828	409,828	-
Charges for services	80,000	73,286	73,286	-
Interest income	135,000	220,932	220,932	-
Miscellaneous revenues	161,010	280,685	280,685	-
Total Revenues	<u>5,912,069</u>	<u>6,187,107</u>	<u>6,187,107</u>	<u>-</u>
Expenditures by Major Budgetary Function				
General government	3,268,420	3,203,733	3,203,733	-
Public safety	1,819,425	1,600,314	1,600,314	-
Public works	34,856	15,187	15,187	-
Health and welfare	363,378	312,054	312,054	-
Culture and recreation		10,000	10,000	-
Conservation of natural resources	109,865	90,730	90,730	-
Economic development and assistance	184,625	120,277	120,277	-
Total Expenditures	<u>5,780,569</u>	<u>5,352,295</u>	<u>5,352,295</u>	<u>-</u>
Excess of Revenues Over (Under)				
Expenditures	<u>131,500</u>	<u>834,812</u>	<u>834,812</u>	<u>-</u>
Other Financing Sources (Uses)				
Other financing sources	275,000	63,139	63,139	-
Other financing (uses)	<u>(433,000)</u>	<u>(114,104)</u>	<u>(114,104)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(158,000)</u>	<u>(50,965)</u>	<u>(50,965)</u>	<u>-</u>
Net Change in Fund Balance	(26,500)	783,847	783,847	-
Fund Balances - Beginning	<u>1,758,000</u>	<u>4,131,766</u>	<u>4,131,766</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,731,500</u>	<u>\$ 4,915,613</u>	<u>\$ 4,915,613</u>	<u>\$ -</u>

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

HOLMES COUNTY, MISSISSIPPI

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

Engineer State Aid

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Intergovernmental revenues	\$ 310,000	\$ 196,820	\$ 196,820	\$ -
Total Revenues	<u>310,000</u>	<u>196,820</u>	<u>196,820</u>	<u>-</u>
Expenditures				
Public works	242,000	196,820	196,820	-
Total Expenditures	<u>242,000</u>	<u>196,820</u>	<u>196,820</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>68,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Other financing sources (uses)		13,473	13,473	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,473</u>	<u>13,473</u>	<u>-</u>
Net Change in Fund Balance	68,000	13,473	13,473	-
Fund Balances - Beginning	<u>68,000</u>	<u>(13,473)</u>	<u>(13,473)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 136,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

HOLMES COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 FEMA Federal Disaster
 For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Intergovernmental revenues	\$	\$ 2,703,742	\$ 2,703,742	\$ -
Total Revenues	-	2,703,742	2,703,742	-
Expenditures				
Public works		1,769,885	1,769,885	-
Total Expenditures	-	1,769,885	1,769,885	-
Net Change in Fund Balance	-	933,857	933,857	-
Fund Balances - Beginning				-
Fund Balances - Ending	\$ -	\$ 933,857	\$ 933,857	\$ -

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

HOLMES COUNTY, MISSISSIPPI

Schedule of the County's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.063742%	0.062028%	0.063859%	0.064070%
County's proportionate share of the net pension liability (asset)	\$ 10,596,083	\$ 11,079,750	\$ 9,871,342	7,776,925
County's covered payroll	\$ 4,187,257	\$ 3,968,063	\$ 3,989,537	3,914,997
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	253.06%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 06/30 of 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 15, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

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

	2017	2016	2015
Contractually required contribution	\$ 665,481	617,917	\$ 624,911
Contributions in relation to the contractually required contribution	665,481	617,917	624,911
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
County's covered payroll	4,225,276	3,923,276	3,967,683
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

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

HOLMES COUNTY, MISSISSIPPI

Notes to the Required Supplementary Information For the Year Ended September 30, 2017

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	Engineer State Aid	FEMA Fed Disaster
Budget (Cash Basis)	\$ 783,847	13,473	933,857
Increase (Decrease)			
Net adjustments for revenue accruals	(287,293)		790,404
Net adjustments for expenditure accruals	450,803		(2,564,133)
GAAP Basis	\$ 947,357	13,473	(839,872)

HOLMES COUNTY, MISSISSIPPI

Notes to the Required Supplementary Information For the Year Ended September 30, 2017

Pension Schedules

A. Changes of assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 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 actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.5% to 3.0% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.5% to 2.0%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

B. Changes in benefit provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

SUPPLEMENTARY INFORMATION

HOLMES COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Rural Development (Direct) Community Facilities Loans and Grants	10.766	N/A	\$ 108,000
U.S. Department of Justice/Passed-through the Mississippi Department of Health Crime Victim Assistance	16.575	N/A	102,247
U.S. Department of Transportation/Passed-through the Mississippi Department of Transportation Highway Planning and Construction	20.205	BR NBIS 087 B(26)	31,520
U.S. Department of Homeland Security/Passed-through the Mississippi Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)*	97.036	DR-MS-4314	3,501,567
Emergency Management Performance Grant	97.042	16EMPG	29,312
Total U.S. Department of Homeland Security			3,530,879
Total Expenditures of Federal Awards			\$ 3,772,646

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Holmes County under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of *Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Holmes County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Holmes County.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note C - Indirect Cost Rate

Holmes County has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

* Denotes major federal award program

HOLMES COUNTY, MISSISSIPPIReconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2017

Operating Expenditures, Cash Basis:

Salaries	\$	193,856
Expendable Commodities:		
Gasoline and petroleum products		38,703
Tires and tubes		8,036
Repair parts		9,244
Supplies		2,092
Contractual Services:		
Solid waste disposal fees		70,691
Other miscellaneous expenditures		10,905
Telephone		1,441
Principal retirement and interest		<u>55,337</u>
Solid Waste Cash Basis Operating Expenditures		390,305
Full Cost Expenses:		
Indirect administrative costs		20,314
Depreciation on equipment		<u>27,273</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>437,892</u></u>

OTHER INFORMATION

HOLMES COUNTY, MISSISSIPPI

Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2017

UNAUDITED

Name	Position	Company	Bond Amount
Henry Anderson	Supervisor District 1	Nationwide	\$ 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
Eddie Carthan	Supervisor District 5	Nationwide	\$ 100,000
Henry Luckett	Chancery Clerk	Nationwide	\$ 100,000
Charlie Luckett	Deputy Chancery Clerk	Nationwide	\$ 50,000
Carolyn Pepper	Deputy Chancery Clerk	Nationwide	\$ 50,000
Annie Green	Deputy Chancery Clerk	RLI	\$ 50,000
Charlie M. Joiner	County Administrator	Western Surety	\$ 100,000
Charlie M. Joiner	Purchase Clerk	Western Surety	\$ 75,000
Vanessa Truss	Assistant Purchase Clerk	Nationwide	\$ 50,000
Alanda Taylor	Assistant Purchase Clerk	RLI	\$ 50,000
Charlie Luckett	Receiving Clerk	RLI	\$ 75,000
Alphonso Greer	Assistant Receiving Clerk	Western Surety	\$ 50,000
Wilma P. Jones	Assistant Receiving Clerk	Nationwide	\$ 50,000
Willie E. March	Assistant Receiving Clerk	Nationwide	\$ 50,000
Alphonso Mayfield	Assistant Receiving Clerk	Nationwide	\$ 50,000
Linda Rollins	Assistant Receiving Clerk	Nationwide	\$ 50,000
David Montgomery	Assistant Receiving Clerk	Nationwide	\$ 50,000
Betsy K. Padgett	Assistant Receiving Clerk	Nationwide	\$ 50,000
Jeressia D. Quinn	Assistant Receiving Clerk	Travelers	\$ 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
Vickie Andrews	Assistant Receiving Clerk	Nationwide	\$ 50,000
Charlie M. Joiner	Inventory Control Clerk	Western Surety	\$ 75,000
Willie Anderson	Constable	Nationwide	\$ 50,000
Sharkey Ford	Constable	Nationwide	\$ 50,000
Earline Wright-Hart	Circuit Clerk	Hartford Insurance	\$ 100,000
Debra Randle	Deputy Circuit Clerk	RLI	\$ 50,000
Brenda Travis	Deputy Circuit Clerk	RLI	\$ 50,000
Willie March	Sheriff	RLI	\$ 100,000
Verlinda Anderson	Deputy Sheriff	RLI	\$ 50,000
Marcus Fisher	Justice Court Judge	RLI	\$ 50,000
Shirley Neal III	Justice Court Judge	Western Surety	\$ 50,000
Stella Ross	Justice Court Clerk	Nationwide	\$ 50,000
Lillie A. Simmons	Deputy Justice Court Clerk	Nationwide	\$ 50,000
Patricia Watts	Deputy Justice Court Clerk	Western Surety	\$ 50,000
Linda Rollins	Tax Assessor-Collector	Western Surety	\$ 100,000
Kahaliah Cook	Deputy Tax Assessor-Collector	RLI	\$ 50,000
Sandra Green	Deputy Tax Assessor-Collector	RLI	\$ 50,000
Wanda Sue Harrell	Deputy Tax Assessor-Collector	RLI	\$ 50,000
Myra Meeks	Deputy Tax Assessor-Collector	RLI	\$ 50,000
Tina K. Upchurch	Deputy Tax Assessor-Collector	Western Surety	\$ 50,000
Jacqueline Wilson	Deputy Tax Assessor	Western Surety	\$ 10,000
Amos Coffee	Deputy Tax Assessor	RLI	\$ 10,000
Caledonia Wiley	Bookkeeper	Nationwide	\$ 50,000
Wayne Morrison	County Engineer	Nationwide	\$ 50,000
Gyrone Granderson	Emergency Management	Nationwide	\$ 10,000
Barry W. Rule	Warden	RLI	\$ 25,000

SPECIAL REPORTS

FORTENBERRY & BALLARD, PC

CERTIFIED PUBLIC ACCOUNTANTS

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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holmes County, Mississippi (the County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 6, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Holmes County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Holmes County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 performing 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Holmes County, Mississippi's financial statements are free from 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.

We noted certain matters that we reported to the management of Holmes County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated December 6, 2021, included within this document.

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Holmes County's Response to Finding

Holmes County's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Holmes County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 6, 2021

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Members of the Board of Supervisors
Holmes County, Mississippi

Report on Compliance for the Major Federal Program

We have audited Holmes County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Holmes County, Mississippi's major federal program for the year ended September 30, 2017. Holmes County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Holmes County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Holmes County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Holmes County, Mississippi's compliance.

Opinion on the Major Federal Program

In our opinion, Holmes County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of Holmes County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Holmes County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Fortenberry & Ballard, PC

Fortenberry and Ballard, PC
December 6, 2021

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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 (the County) 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 bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2017. 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 such 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 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, 2017.

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 and, in our opinion, is fairly presented in relation to that examination.

This report is intended for use in evaluating Holmes County, Mississippi's compliance with the aforementioned requirements, 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 6, 2021

Certified Public Accountants

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HOLMES COUNTY, MISSISSIPPI

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2017

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

HOLMES COUNTY, MISSISSIPPI
Schedule of Emergency Purchases
For the Year Ended September 30, 2017

Schedule 2

Our tests did not identify any emergency purchases.

HOLMES COUNTY, MISSISSIPPISchedule 3

Schedule of Purchases Made Noncompetively From a Sole Source
For the Year Ended September 30, 2017

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
10/24/2016	hot mix asphalt	\$	1,396	APAC - Mississippi
11/7/2016	hot mix asphalt		16,444	APAC - Mississippi
12/5/2016	hot mix asphalt		25,209	APAC - Mississippi
2/6/2017	hot mix asphalt		1,532	APAC - Mississippi
3/6/2017	hot mix asphalt		36,231	APAC - Mississippi
5/1/2017	hot mix asphalt		65,733	APAC - Mississippi
6/5/2017	hot mix asphalt		1,715	APAC - Mississippi
6/13/2017	hot mix asphalt		3,361	APAC - Mississippi
7/5/2017	hot mix asphalt		1,495	APAC - Mississippi
7/12/2017	hot mix asphalt		1,452	APAC - Mississippi
9/5/2017	hot mix asphalt		3,013	APAC - Mississippi

FORTENBERRY & BALLARD, PC

CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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 December 6, 2021, 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, recommendations, and your responses are disclosed below:

Justice Court Clerk.

1.	<u>Cash journals were not properly maintained for Criminal, Civil and Clearing accounts for the fiscal year.</u>
Repeat Finding	Yes, Finding #1 (Justice Court Clerk)
Criteria	Proper accounting of justice court cash requires bank statements to be reconciled and to match balances noted in the cash journals for the Criminal, Civil and Clearing accounts. This insures sufficient cash is on hand to properly settle monthly collections in the subsequent month.
Condition	The Justice Court Clerk settled monthly to the County using amounts derived from receipt printouts. A cash journal total was not used even though the electronically-generated cash journal properly accounts for the proper categorization of collected funds and for settlement subsequently to the proper recipient.
Cause	The Justice Court Clerk at the time may have used generated printouts that were not appropriate for settlement of funds.
Effect	The failure to properly settle collections may result in the loss or misappropriation of public funds.
Recommendation	The Justice Court Clerk should maintain cash journals properly ensuring totals match reconciled bank statement amounts monthly ensuring sufficient funds are available for settlement.

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Views of Responsible Official(s) With collaboration from the software provider, these items have been corrected as of 2020 since I was hired.

Sheriff.

2. Cash journals were not properly maintained by the Sheriff with some receipts not being settled during the fiscal year.

Repeat Finding Yes, Finding #1 (Sheriff)

Criteria Proper accounting of Sheriff cash requires bank statements to be reconciled and to match balances noted in the cash journal. Assurance is necessary to maintain sufficient cash on hand to properly settle monthly collections in the subsequent month.

Condition The Sheriff did not properly maintain a cash journal. The handwritten cash journal was attended to intermittently by the bookkeeper instead of in a timely manner.

Cause The bookkeeper at the time attended to the cash journal whenever opportunities arose considering other duties assigned besides bookkeeping. Regular attention to this critical function was not evident.

Effect Settlements to the County were occasionally not made in a timely manner. The failure to properly settle collections may result in the loss or misappropriation of public funds.

Recommendation The Sheriff should maintain the cash journal properly ensuring totals match reconciled bank statement amounts monthly ensuring sufficient funds are available for settlement.

Views of Responsible Official(s) We are working toward this goal. I am aware of the issue and am training a new bookkeeper to make sure this is no longer an issue.

Holmes County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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

FORTENBERRY & BALLARD, PC

Fortenberry and Ballard, PC
December 6, 2021

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HOLMES COUNTY, MISSISSIPPI

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2017

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(es) identified? | No |
| | b. Significant deficiency(ies) identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Internal control over major federal programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | Identification of major federal programs: | |
| | a. 97.036, Disaster Grants - Public Assistance (Presidentially Declared Disasters) | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.516(b)? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency

Criteria:

Uniform Guidance 2 CFR 200.512(a) requires the audit package and the data collection form to be submitted 30 days after receipt of the auditor's report(s), or 9 months after the end of the fiscal year —whichever comes first.

Condition:

Holmes County did not submit their audit package and data collection form in accordance with the requirements stated above. The audit for the fiscal year ended in September 30, 2017 was due in June 30, 2018.

HOLMES COUNTY, MISSISSIPPI

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2017

Cause

Holmes County did not have an audit conducted until later in time.

Effect

The County was not in compliance with Uniform Guidance 2 CFR 200.512(a) requirements. This can potentially affect the County's ability to receive federal funds and can increase the risk of misstatements in the County's financial statements since the Single Audit examines a grant recipient's financial statements, internal controls and their compliance of its major federal programs with federal statutes, regulations and award terms and conditions.

Recommendation

Since a single audit serves as an important way for the federal government to assess the financial health of their organization and the organization's ability to manage federal awards, we recommend that the County should be aware of the following:

- Submission deadlines
- Procure an auditor early
- Continue to keep books and records in order to ensure an efficient audit process and to avoid increased testing which may result in delays

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.



HOLMES COUNTY BOARD OF SUPERVISORS

HOLMES COUNTY, MISSISSIPPI

Post Office Box 239 • Lexington, MS 39095 • Phone: 662-834-0911 • Fax: 662-834-3345

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Sheriff

Katherine B. Riley
Board Attorney

Bryant W. Clark
Special Counsel

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Holmes County has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2017.

Finding

2017-001

Corrective Action Plan Details

- a. Name of Contact Person Responsible for Corrective Action
Name: Vanessa Truss
Title: County Administrator
Phone Number: (662) 834-0911
- b. Correction Action Planned:
Our previous auditor downsized their audit commitments whereas we had to secure another auditor. COVID 19 factored in restricting auditor work. A plan is in place to catch subsequent audits to current with a schedule of completing at least two audits in a twelve-month period until current.
- c. Anticipated Completion Date:
June 30, 2023