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HUMPHREYS COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2017



HUMPHREYS COUNTY

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HUMPHREYS COUNTY

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Humphreys County, Mississippi

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, the major fund, and the aggregate remaining fund information of Humphreys 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 did not audit the financial statements of the Humphreys County Library, a component unit, which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component unit column. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 9 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Humphreys County, Mississippi, as of September 30, 2017, and the change in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregated discretely presented component unit, the General Fund, and the aggregate remaining fund information of Humphreys County, Mississippi, as of September 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule and corresponding notes, the Schedule of the Proportionate Share of the Net Pension Liability, and the Schedule of the 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 and other auditors 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

Humphreys County, Mississippi has omitted the Management's Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America requires 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The Schedule of Surety Bonds for County Officials 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 April 16, 2020, on our consideration of Humphreys 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 Humphreys 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 Humphreys County, Mississippi's internal control over financial reporting and compliance.

Bridgers, Goodman, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

April 16, 2020

HUMPHREYS COUNTY

FINANCIAL STATEMENTS

HUMPHREYS COUNTY
Statement of Net Position
September 30, 2017

Exhibit 1

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Humphreys County Library</u>
ASSETS		
Cash	\$ 5,404,959	129,983
Property tax receivable	7,051,000	
Accounts receivable, (net of allowance for uncollectibles of \$2,671,480)	74,858	
Fines receivable, (net of allowance for uncollectibles of \$1,193,935)	42,948	
Loans receivable	81,720	
Intergovernmental receivables	31,307	
Other receivables	8,100	
Capital assets:		
Land and construction in progress	2,181,955	
Other capital assets, net	27,905,801	9,865
Total Assets	<u>42,782,648</u>	<u>139,848</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	693,848	20,270
Total Deferred Outflows of Resources	<u>693,848</u>	<u>20,270</u>
LIABILITIES		
Claims payable	555,356	3,177
Intergovernmental payables	175,592	
Amounts held in custody for others	32,787	
Accrued interest payable	21,426	
Long-term liabilities		
Net pension liability	6,250,397	167,064
Due within one year:		
Capital debt	610,659	
Due in more than one year:		
Capital debt	1,857,320	
Non-capital debt	1,436,634	
Total Liabilities	<u>10,940,171</u>	<u>170,241</u>
DEFERRED INFLOWS OF RESOURCES		
Property tax for future reporting period	7,051,000	
Deferred inflows related to pensions	120,606	4,324
Total Deferred Inflows of Resources	<u>7,171,606</u>	<u>4,324</u>
NET POSITION		
Net investment in capital assets	27,619,777	9,865
Restricted:		
Expendable:		
Public safety	728,420	
Public works	1,439,082	
Health and welfare	171,954	
Culture & recreation	4,798	6,086
Economic Development	16,659	
Debt service	406,026	
Unrestricted	(5,021,997)	(30,398)
Total Net Position	<u>\$ 25,364,719</u>	<u>(14,447)</u>

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

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

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Humphreys County Library
Primary government:						
Governmental activities:						
General government	\$ 3,037,293	165,739			(2,871,554)	
Public safety	1,484,600	115,477	33,448		(1,335,675)	
Public works	2,953,524	168,645		355,424	(2,429,455)	
Health and welfare	803,971		234,321	254,116	(315,534)	
Culture and recreation	53,121				(53,121)	
Conservation of natural resources	100,911				(100,911)	
Economic development and assistance	12,000		126,428		114,428	
Interest on long-term debt	176,123				(176,123)	
Pension expense	1,016,848				(1,016,848)	
Total Governmental Activities	\$ 9,638,391	449,861	394,197	609,540	(8,184,793)	
Component Units:						
Humphreys County Library	\$ 127,172	8,278	34,771			(84,123)
General revenues:						
Property taxes				\$ 7,859,959		
Road & bridge privilege taxes				77,065		
Grants and contributions not restricted to specific programs				564,427		58,000
Unrestricted interest income				18,502		194
Miscellaneous				209,068		551
Total General Revenues				8,729,021		58,745
Changes in Net Position				544,228		(25,378)
Net Position - Beginning				24,820,491		10,931
Net Position - Ending				\$ 25,364,719		(14,447)

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

HUMPHREYS COUNTY
Balance Sheet – Governmental Funds
September 30, 2017

Exhibit 3

	<u>Major Fund</u>		
	General	Other	Total
	Fund	Governmental	Governmental
	Funds	Funds	Funds
ASSETS			
Cash	\$ 2,176,632	3,228,327	5,404,959
Property tax receivable	4,689,000	2,362,000	7,051,000
Accounts receivable (net of allowance for uncollectibles of \$2,671,480)		74,858	74,858
Fines receivable (net of allowance for uncollectibles of \$1,193,935)	42,948		42,948
Loans receivable	81,720		81,720
Intergovernmental receivables	31,307		31,307
Due from other funds	273,250	22,940	296,190
Other receivables	8,100		8,100
Total Assets	7,302,957	5,688,125	12,991,082
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Claims payable	347,814	207,542	555,356
Intergovernmental payables	175,592		175,592
Due to other funds	22,940	273,250	296,190
Amounts held in custody for others	32,787		32,787
Total Liabilities	579,133	480,792	1,059,925
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	4,689,000	2,362,000	7,051,000
Unavailable revenue - sanitation fees		74,858	74,858
Unavailable revenue - fines	42,948		42,948
Total Deferred Inflows of Resources	4,731,948	2,436,858	7,168,806
FUND BALANCE			
Restricted for:			
Public safety		728,420	728,420
Public works		1,439,082	1,439,082
Health and welfare		171,954	171,954
Culture & recreation		4,798	4,798
Economic development		16,659	16,659
Debt Service		427,452	427,452
Unassigned	1,991,876	(17,890)	1,973,986
Total Fund Balances	1,991,876	2,770,475	4,762,351
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,302,957	5,688,125	12,991,082

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

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,762,351
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 \$46,961,983.	30,087,756
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	117,806
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,904,613)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund financial statements.	(6,250,397)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental fund financial statements:	
Deferred outflows of resources related to pensions	693,848
Deferred inflows of resources related to pensions	(120,606)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(21,426)
Total Net Position - Governmental Activities	\$ <u>25,364,719</u>

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

HUMPHREYS COUNTY**Exhibit 4****Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds
For the Year Ended September 30, 2017**

	<u>Major Fund</u>		
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
REVENUES			
Property taxes	\$ 5,291,887	2,568,072	7,859,959
Road and bridge privilege taxes		77,065	77,065
Licenses, commissions and other revenue	123,929	2,647	126,576
Fines and forfeitures	97,181		97,181
Intergovernmental revenues	353,077	1,215,087	1,568,164
Charges for services	7,600	242,385	249,985
Interest income	9,097	9,405	18,502
Miscellaneous revenues	149,824	59,244	209,068
Total Revenues	<u>6,032,595</u>	<u>4,173,905</u>	<u>10,206,500</u>
EXPENDITURES			
General government	3,192,420	14,509	3,206,929
Public safety	1,364,361	78,323	1,442,684
Public works		2,845,631	2,845,631
Health and welfare	62,481	1,216,343	1,278,824
Culture and recreation	42,500		42,500
Conservation of natural resources	112,438		112,438
Economic development and assistance	12,000		12,000
Debt service:			
Principal	34,626	594,315	628,941
Interest	5,461	179,095	184,556
Total Expenditures	<u>4,826,287</u>	<u>4,928,216</u>	<u>9,754,503</u>
Excess of Revenues over (under) Expenditures	<u>1,206,308</u>	<u>(754,311)</u>	<u>451,997</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of long-term debt		770,979	770,979
Transfer in	75,000	13,603	88,603
Transfer out	(13,603)	(75,000)	(88,603)
Total Other Financing Sources and Uses	<u>61,397</u>	<u>709,582</u>	<u>770,979</u>
Net Changes in Fund Balances	1,267,705	(44,729)	1,222,976
Fund Balances - Beginning	<u>724,171</u>	<u>2,815,204</u>	<u>3,539,375</u>
Fund Balances - Ending	\$ <u><u>1,991,876</u></u>	<u><u>2,770,475</u></u>	<u><u>4,762,351</u></u>

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

HUMPHREYS COUNTY**Exhibit 4-1****Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,222,976
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 \$829,287 exceeded depreciation of \$715,326 in the current period.	113,961
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.	(24,732)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	851
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 proceeds of long-term debt of \$770,979 exceeds debt repayment of \$628,941.	(142,038)
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 balance by a combination of the following items:	
Accrued interest payable	8,433
Compensated absences	(2,694)
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	(1,016,848)
Recording of contributions made during the year	384,319
Change in Net Position of Governmental Activities	\$ <u>544,228</u>

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

HUMPHREYS COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2017

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>334,870</u>
Total Assets	<u>334,870</u>
LIABILITIES	
Intergovernmental payables	<u>334,870</u>
Total Liabilities	\$ <u>334,870</u>

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

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

A. Financial Reporting Entity.

Humphreys 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 Humphreys County to present these financial statements on the primary government and its component unit which has a significant operational or financial relationship with the County.

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

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

B. Individual Component Unit Disclosures.

Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the following component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County. All members of the governing body of this component unit are appointed by the County Board of Supervisors.

The Humphreys County Library is a public library designed to promote and develop adequate library services throughout Humphreys County that meet the general and specialized needs of the citizens of the County. The Board of Supervisors of Humphreys County appoints the five members of the Library's Board of Trustees.

C. 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 the Statement of Activities display information concerning the County as a whole. The statements include all non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

Governmental fund 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.

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

The County reports the following major Governmental Fund:

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

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 expenditures 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 expenditures 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 expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUND TYPE

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

E. 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.

F. 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, certificates of deposit, and other 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 market value. However, the County did not invest in any governmental securities during the fiscal year.

G. Receivables.

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

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

H. Inter-fund 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." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

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 governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital asset, 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.

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

	<u>Capitalization Thresholds</u>	<u>Estimated Service Life</u>
Land	\$ 0	N/A
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5 to 10 years
Furniture and equipment	5,000	3 to 7 years
Infrastructure	0	20 to 50 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.

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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 10 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 inflows of resources (revenues) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed non-exchange 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 the revenue becomes available.

Unavailable revenue – sanitation fees – 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 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 10 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 with the benefit terms. Investments are reported at fair value.

L. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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 the unrestricted classification 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 non-spendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

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

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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 vehicle and mobile homes become a lien and are due in the month that coincides with the month of the 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 the 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. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Government Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 2 – DEPOSITS.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$5,739,829 and the bank balance was \$6,032,660. 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 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.

NOTE 3 – INTER-FUND TRANSACTIONS AND BALANCES.

The following is a summary of inter-fund balances at September 30, 2017:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 273,250
Other Governmental Funds	General Fund	22,940
Total		<u>\$ 296,190</u>

The amounts payable from the General Fund represent the tax revenue collected in September 2017, but not settled until after September 30, 2017. The amounts payable from Other Governmental Funds were to cover deficit cash balances. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 75,000
Other Governmental Funds	General Fund	13,603
Total		<u>\$ 88,603</u>

Interfund transfers were to cover deficit cash balances.

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 4 – INTERGOVERNMENTAL RECEIVABLES.

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

Governmental Activities:	Receivables
Legislative Credit	\$ 31,307
Total	<u>\$ 31,307</u>

NOTE 5– LOANS RECEIVABLES.

Loan receivable balances at September 30, 2017, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Promissory Note from chancery clerk	3/1/2015	0%	11/15/2019	\$ 81,720
Total				<u>\$ 81,720</u>

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 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
Non-depreciable capital assets:					
Land	\$ 190,513				190,513
Construction in progress	2,145,582	829,287		(983,427)	1,991,442
Total Non-depreciable capital assets	2,336,095	829,287	-	(983,427)	2,181,955
Depreciable capital assets:					
Infrastructure	61,211,530			983,427	62,194,957
Buildings	5,634,558				5,634,558
Improvements other than buildings	1,567,103				1,567,103
Mobile equipment	3,704,584				3,704,584
Furniture and equipment	1,382,383				1,382,383
Leased property under capital leases	384,199				384,199
Total depreciable capital assets	73,884,357	-	-	983,427	74,867,784
Less accumulated depreciation for:					
Infrastructure	39,180,234	285,845			39,466,079
Buildings	2,103,688	82,988			2,186,676
Improvements other than buildings	513,327	62,684			576,011
Mobile equipment	2,971,778	108,809			3,080,587
Furniture and equipment	1,214,789	94,363			1,309,152
Leased property under capital leases	262,841	80,637			343,478
Total accumulated depreciation	46,246,657	715,326	-	-	46,961,983
Total depreciable capital assets, net	27,637,700	(715,326)	-	983,427	27,905,801
Governmental activities capital assets, net	\$ 29,973,795	113,961	-	-	30,087,756

*Adjustments made are to reclassify completed construction in progress to infrastructure.

Depreciation expense was charge to the following functions:

Governmental Activities:	\$
General Government	784
Public Safety	121,512
Public Works	547,112
Health and Welfare	35,297
Culture & Recreation	10,621
Total governmental activities depreciation expense	\$ <u>715,326</u>

HUMPHREYS 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 the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
State aid road infrastructure	\$ Undetermined	Undetermined

HUMPHREYS COUNTY COMPONENT UNIT – Humphreys County Library System

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

	<u>Balance Oct. 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2017</u>
Depreciable capital assets:					
Library collection	\$ 366,750	1,379			368,129
Furniture and equipment		5,146			5,146
Total depreciable capital assets	<u>366,750</u>	<u>6,525</u>	<u>-</u>	<u>-</u>	<u>373,275</u>
Less accumulated depreciation for:					
Library collection	359,292	3,099			362,391
Furniture and equipment		1,019			1,019
Total accumulated depreciation	<u>359,292</u>	<u>4,118</u>	<u>-</u>	<u>-</u>	<u>363,410</u>
Total depreciable capital assets, net	<u>\$ 7,458</u>	<u>2,407</u>	<u>-</u>	<u>-</u>	<u>9,865</u>

Depreciation expense above is charged to the governmental activities function of Operations.

NOTE 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.

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 8 – CAPITAL LEASES.

As Lessee

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 384,199
Less: Depreciation	<u>(343,478)</u>
Leased Property Under Capital Leases	<u>\$ 40,721</u>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	60,985	3,072
2019	41,076	1,397
2020	26,427	627
2021	11,203	69
Total	<u>\$ 139,691</u>	<u>5,165</u>

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB).

Plan Description

The Humphreys County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Humphreys County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The County does not issue a publicly available financial report for the Plan.

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 10 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. Humphreys 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.

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 addition 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 \$384,319, \$357,584, and \$356,783, respectively, equal to the required contributions for each year.

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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 \$6,250,397 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 0.0376 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.0023 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 \$1,016,848. At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,871	45,606
Net difference between projected and actual earnings on pension plan investments	54,464	
Changes of assumptions	133,987	10,000
Changes in the proportion and differences between County contributions and proportionate share contributions	324,167	65,000
County Contributions subsequent to the measurement date	96,359	
	<u>\$ 693,848</u>	<u>120,606</u>

The \$96,359 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:

Deferred Outflows/Inflows Aging:	
Year ending September 30:	Amount
2018	\$ 368,304
2019	186,907
2020	42,406
2021	(120,734)
Total	<u>\$ 476,883</u>

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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 percentage	3.00%
Salary increases, including inflation	3.25% - 18.50%
Investment rate of return net of pension plan investment expense, including inflation	7.75%

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males' 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.

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
U.S. Broad	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%	-
	<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 employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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%	Discount Rate 7.75%	1% Increase 8.75%
Net Pension Liability	<u>\$ 8,197,812</u>	<u>\$ 6,250,397</u>	<u>\$ 4,633,618</u>

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

HUMPHREYS COUNTY COMPONENT UNIT – Humphreys County Library

Plan Description. The Humphreys County Library contributes to the Public Employees Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan.

Contributions. The Library's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016, and 2015 were \$9,720, \$9,704, and \$9,251, 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 Library reported a liability of \$167,064 for its proportionate share of the net pension liability. At June 30, 2017, the Library's proportion was 0.001005 percent. This was an increase of 0.000093 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.

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

For the year ended September 30, 2017, the Library recognized pension expense of \$25,133. At September 30, 2017 the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,190	1,219
Net difference between projected and actual earnings on investments	958	
Changes of assumptions	3,452	258
Changes in the proportion and differences between Library contributions and proportionate share contributions	11,683	2,847
Library contributions subsequent to the measurement date	1,987	
	<u>\$ 20,270</u>	<u>4,324</u>

The \$1,987 reported as deferred outflows of resources related to pensions resulting from Library 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:

Deferred Outflows/Deferred Inflows Aging:	
Year ending September 30:	Amount
2018	\$ 8,919
2019	6,614
2020	1,652
2021	(3,226)
Total	<u>\$ 13,959</u>

Sensitivity to the Library's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Net Pension Liability	<u>\$ 219,117</u>	<u>167,064</u>	<u>123,851</u>

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 11 – LONG TERM DEBT

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

Description and Purpose	Amount Outstanding	Interest Rate	Maturity Date
Governmental Activities:			
A. General Obligation Bonds			
2010 GO Bond Cap. Improvements	\$ 450,000	3.8	05-20
2014 GO Bond Public Improvements	895,000	2.1-3.0	05-24
2015 GO Bond Non-Capital	1,400,000	2.98	06-23
2016 GO Bond Cap. Improvements	668,000	1.4 - 2.0	11-21
Total General Obligation Bonds	<u>\$ 3,413,000</u>		
B. Capital Leases:			
Sheriff office vehicles	\$ 51,109	2.59	02-19
2012 Volvo Motor grader	88,582	2.45	02-21
Total Capital Leases	<u>\$ 139,691</u>		
C. Other Loans:			
Health Complex	\$ 315,288	4.75	12-29
Total Other Loans	<u>\$ 315,288</u>		

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

Governmental Activities:

	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
Year Ending September 30				
2018	531,155	94,885	18,519	13,400
2019	545,377	80,232	19,330	12,613
2020	559,600	64,885	20,175	11,791
2021	575,823	49,104	21,058	10,934
2022	589,045	32,441	21,979	10,039
2023-2027	612,000	18,300	125,189	35,337
2028-2030			89,038	7,676
Total	<u>\$ 3,413,000</u>	<u>339,847</u>	<u>315,288</u>	<u>101,790</u>

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

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 counties issue 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 4.74% 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	Adjustments	Balance Sept. 30, 2017	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 33,940	2,694			36,634	-
Other loans	337,903		22,615		315,288	18,519
General obligation bonds	3,195,000	668,000	450,000		3,413,000	531,155
Capital leases	193,038	102,979	156,326		139,691	60,985
Total	\$ 3,759,881	773,673	628,941	-	3,904,613	610,659

Compensated absences will be paid by the funds from which the employees' salaries were paid which are generally the General Fund, Road Maintenance District Funds, Garbage and Solid Waste Fund and E-911 Fund.

NOTE 12 – DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS.

The following fund reported a deficit in fund balance at September 30, 2017:

	Amount
Law Library	\$ (17,890)

NOTE 13 – 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 purpose. 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 statement.

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 this and other 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.

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 14 - EFFECT OF DEFERRED AMOUNTS ON NET POSITION.

Humphreys County

The governmental activities' unrestricted net position deficit amount of \$(5,021,997) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$96,359 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 \$597,489 balance of the deferred outflow of resources related to pensions at September 30, 2017, will be recognized in pension expense over the next 4 years. The \$120,606 balance of the deferred inflow of resources related to pension at September 30, 2017, will be recognized in pension expense over the next 3 years.

Humphreys County Library

The unrestricted net position amount of \$(30,398) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$20,270 balance of the deferred outflow of resources at September 30, 2017 will be recognized as expenses and decrease unrestricted net position over the next 3-4 years.

The unrestricted net position amount of \$(30,398) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$4,324 balance of the deferred inflow of resources at September 30, 2017 will be recognized as revenue and increase unrestricted net position over the next 3-4 years.

NOTE 15 – JOINT VENTURE.

The County participates in the following joint venture:

The North Central Task Force consists of Carroll, Claiborne, Grenada, Holmes, Humphreys, Leflore, Quitman and Tunica Counties and the Cities of Itta Bena and Port Gibson. It is a multi-jurisdictional drug enforcement task force established to provide more widespread apprehension and possession of violators. The County did not appropriate any funds for support of the task force in fiscal year 2017.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS.

The County participates in the following jointly governed organizations:

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Humphreys County Board of Supervisors appoints two of the 20 members of the college board of trustees. The County appropriated \$99,025 for maintenance and support of the college in fiscal year 2017.

Region Six Mental Health/Mental Retardation Center/Life Help operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

Humphreys County Board of Supervisors appoints one of the eight members of the board of commissioners. The County appropriated \$23,200 to the entity in fiscal year 2017.

South Delta Planning and Development District operates in a district composed of the counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Humphreys County Board of Supervisors appoints one of the 22 members of the district board of directors. The County appropriated \$5,026 for the support of the district in fiscal year 2017.

The Yazoo-Mississippi Water Management District operates in a district composed of the counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Humphreys County Board of Supervisors appoints one of the 21 members of the district board of commissioners. The County appropriated \$46,378 for support of the district in fiscal year 2017.

NOTE 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 Humphreys County evaluated the activity of the County through April 16, 2020 (the date the financial statements were available to be issued) and determined that the following subsequent events occurred that require disclosure in the notes to the financial statements.

On January 15, 2019, Special Agents from the Office of the State Auditor arrested Lawrence Browder, Humphreys County Chancery Clerk, after he was indicted for submitting false documents by a grand jury assembled by the District Attorney. Browder was issued a demand letter for \$279,764.16 at the time of his arrest. Interest and investigative expenses are included in the demand amount.

Browder was accused of fraudulently obtaining money from the county by forcing his staff to create false court records from January 2016 to January 2017. Chancery Clerks collect fees for filing certain court proceedings, and Browder allegedly pocketed money after reporting his office filed cases that did not exist. Using this scheme, Browder allegedly obtained \$31,350 from falsified Humphreys County youth court and lunacy case proceedings.

In addition to fraud charges, Browder was issued a civil demand to repay more than \$200,000 in compensation illegally given to him. The salary of a Chancery Clerk in Mississippi is partially composed of fees charged for services provided by each office, but no Chancery Clerk can be compensated more than \$90,000 in fees in any one year. Browder exceeded the maximum allowable salary by \$205,724.14. By law, the excess fees should have been returned to Humphreys County each year.

On November 8, 2019, Lawrence Browder entered a voluntary plea of guilty to the charge of fraudulent statements and representations in the Circuit Court of Humphreys County, Mississippi. The Court withheld the acceptance of the guilty plea in abeyance and placed the defendant on three (3) years on non-adjudicative probation. The Court further ordered that Browder be placed on three (3) years of non-

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

adjudicative telephonic probation. Conditions of the non-adjudicative telephonic probation required Browder to pay \$31, 350 in restitution to Humphreys County. This amount was paid on the day of the plea. Browder must also pay \$10,710.16 to the Mississippi State Auditor's Office in the amount of \$315 per month, beginning December 1, 2019 and the first of every month thereafter until paid in full within the three year non-adjudicative telephonic probation.

HUMPHREYS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

HUMPHREYS COUNTY
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 Positive Positive (Negative)
REVENUES				
Property taxes	\$ 4,296,111	5,290,543	5,290,543	-
Licenses, commissions and other revenue	93,200	110,000	110,000	-
Fines and forfeitures	102,000	97,106	97,106	-
Intergovernmental revenues	337,000	353,077	353,077	-
Charges for services	20,000	7,600	7,600	-
Interest income	8,000	8,805	8,805	-
Miscellaneous revenues	97,000	149,824	149,824	-
Total Revenues	<u>4,953,311</u>	<u>6,016,955</u>	<u>6,016,955</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	3,444,965	3,135,408	3,135,408	-
Public safety	1,143,850	1,346,392	1,346,392	-
Public works	-	-	-	-
Health and welfare	73,000	77,927	77,927	-
Culture and recreation	40,000	42,500	42,500	-
Conservation of natural resources	140,450	112,532	112,532	-
Economic development and assistance	16,640	12,000	12,000	-
Debt Service	43,000	40,087	40,087	-
Total Expenditures	<u>4,901,905</u>	<u>4,766,846</u>	<u>4,766,846</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>51,406</u>	<u>1,250,109</u>	<u>1,250,109</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	75,000	75,000	-
Other financing uses	(50,000)	(13,603)	(13,603)	-
Total Other Financing Sources and Uses	<u>(50,000)</u>	<u>61,397</u>	<u>61,397</u>	<u>-</u>
Net Change in Fund Balance	1,406	1,311,506	1,311,506	-
Fund Balance - Beginning	<u>(2,796,375)</u>	<u>(2,209,570)</u>	<u>(2,209,570)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (2,794,969)</u>	<u>(898,064)</u>	<u>(898,064)</u>	<u>-</u>

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

HUMPHREYS COUNTY
Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Humphreys County				
County's proportion of the net pension liability (asset)	0.0376%	0.0353%	0.0362%	0.0347%
County's proportionate share of the net pension liability (asset)	\$ 6,250,397	\$ 6,305,461	\$ 5,595,806	\$ 4,211,945
County's covered payroll	2,409,124	2,255,494	2,265,291	2,128,229
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.45%	279.56%	247.02%	197.91%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%
 Humphreys County Library				
Library's proportion of the net pension liability (asset)	0.001005%	0.000912%	0.000931%	
Library's proportionate share of the net pension liability (asset)	\$ 167,064	\$ 162,905	\$ 139,122	
Library's covered payroll	64,502	58,311	59,130	
Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.01%	279.37%	235.28%	
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County and Library have only presented information for the years in which information is available.

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

HUMPHREYS COUNTY
Schedule of Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Humphreys County			
Contractually required contribution	\$ 384,319	\$ 357,584	\$ 356,783
Contributions in relation to the contractually required contribution	<u>384,319</u>	<u>357,584</u>	<u>356,783</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 2,440,105	\$ 2,270,366	\$ 2,265,291
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%
 Humphreys County Library			
Contractually required contribution	\$ 9,720	\$ 9,704	\$ 9,251
Contributions in relation to the contractually required contribution	<u>9,720</u>	<u>9,704</u>	<u>9,251</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Library's covered payroll	\$ 61,714	\$ 61,613	\$ 58,737
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County and Library have only presented information for the years in which information is available.

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
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 Budget 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:

	Governmental Fund Type
	<u>General Fund</u>
Budget (Cash Basis)	\$ 1,311,506
Increase (Decrease)	
Net adjustments for revenue accruals	15,640
Net adjustments for expenditure accruals	<u>(59,441)</u>
GAAP Basis	<u>\$ 1,267,705</u>

HUMPHREYS COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
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 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

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 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption 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 6.00% to 7.00%.

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.

HUMPHREYS COUNTY

OTHER INFORMATION

HUMPHREYS COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
“Unaudited”

Name	Position	Surety Company	Bond Amount
Claven Jones	Supervisor District 1	Western Surety	100,000
R. D. Stevens	Supervisor District 2	Western Surety	100,000
Willie F. Brown	Supervisor District 3	Western Surety	100,000
Jerry Wood	Supervisor District 4	Western Surety	100,000
Roy Broomfield	Supervisor District 5	Western Surety	100,000
Thomas L. Goodwin	County Administrator	Western Surety	100,000
Lawrence Browder	County Clerk	Western Surety	100,000
Lawrence Browder	Purchase Clerk	Western Surety	75,000
Deborah Edwards	Clerk	Travelers	50,000
Shavon Ellis	Chancery Deputy Clerk	Western Surety	10,000
Sharon Neal - Deputy	Circuit Deputy Clerk	Western Surety	50,000
Vernetta Washington	Circuit Deputy Clerk	Western Surety	50,000
Calvin Ball	Receiving Clerk	Western Surety	75,000
Gail F. Hood	Asst. Receiving Clerk	Travelers	50,000
Latoya Smith	Inventory Control Clerk	Travelers	75,000
Latoya Smith	Clerk - Sanitation	Travelers	50,000
J. D. Roseman	Sheriff	Western Surety	100,000
Andrew Dent	Constable	Travelers	50,000
Marva Gibson	Justice Court Clerk	Travelers	50,000
Akeitha L. Smith	Justice Court Clerk	Travelers	50,000
Shirley Brown Cummings	Justice Court Judge	Western Surety	50,000
Margaret Parks	Tax Collector/Assessor	Western Surety	100,000
Schardell Little	Tax Collector/Assessor- Deputy	Travelers	50,000
Melissa E. Davis	Tax Collector/Assessor- Deputy	Western Surety	50,000
April Morgan	Tax Collector/Assessor- Deputy	Western Surety	50,000
Alicia Toler	Tax Collector/Assessor- Deputy	Western Surety	50,000

HUMPHREYS COUNTY

SPECIAL REPORTS

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

Members of the Board of Supervisors
Humphreys 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 aggregate discretely presented component unit, the major fund and the aggregate remaining fund information of Humphreys 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 April 16, 2020. This report is qualified on the governmental activities because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. We did not audit the financial statements of the Humphreys County Library, component unit, which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component unit column. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the reports of the other auditors. This report does not include the results of the other auditor's testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Humphreys 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 Humphreys County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2017-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2017-002 and 2017-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humphreys County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Humphreys County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated April 16, 2020, included within this document.

Humphreys County's Responses to Findings

Humphreys County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Humphreys County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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.

Bridgers, Goodman, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC

Certified Public Accountants

Vicksburg, Mississippi

April 16, 2020

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

Members of the Board of Supervisors
Humphreys County, Mississippi

We have examined Humphreys County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Section 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2017. The Board of Supervisors of Humphreys County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Humphreys 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.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include proper recording of additions and deletions. As reported in prior years' audit reports, the subsidiary records did not include all additions and deletions of capital assets. The Inventory Control Clerk did not record additions to capital assets as required.

Recommendation

To comply with the requirements established by law for the inventory control system, the Inventory Control Clerk should record additions and deletions in the capital asset subsidiary records. Those responsible should review these requirements and ensure adherence.

Inventory Control Clerk's Response

No response was provided for this finding.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Humphreys 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 when considered in relation to that examination.

Humphreys County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating Humphreys 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.

Bridgers, Goodman, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

April 16, 2020

HUMPHREYS COUNTY

Schedule 1

**Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2017**

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

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

Schedule 2

Our tests did not identify any emergency purchases.

HUMPHREYS COUNTY

Schedule 3

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

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

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Humphreys County, Mississippi

In planning and performing our audit of the financial statements of Humphreys County, Mississippi for the year ended September 30, 2017, we considered Humphreys 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 Humphreys County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 16, 2020, on the financial statements of Humphreys 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 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:

Chancery Clerk

1. Amounts due in excess of the salary limitation

Finding

Title 9, Chapter 1, Section 43 (1), requires that amounts due in excess of the salary limitation shall be deposited into the General Fund on or before April 15 for the preceding calendar year. The Chancery Clerk has exceeded the salary limitation for the 2014, 2015, 2016 and 2017 calendar years. The clerk did not settle the 2014 (\$27,514), 2015 (\$18,139), 2016 (\$43,045) and 2017 (\$9,143) amounts due to the county.

Recommendation

Amounts in excess of the salary limitation should be paid to the county.

Chancery Clerk's Response

No response was provided for this finding.

Auditor's Note

These amounts have not been paid to the County.

2. Unsettled court fees due the County and State

Finding

As previously reported, during our review of the clerk's annual accounting ledgers, it came to our attention that the clerk had not settled fees due the county and state. These fees are derived from assessments made by courts for which the clerk provides services. As of December 31, 2017, the amount owed to the state and county for these assessments was \$110,288.

Recommendation

The clerk should settle all court fees on a timely basis. The fees should be settled the month following receipt of the fees if possible.

Chancery Clerk's Response

No response was provided for this finding.

Auditor's Note

These amounts have not been settled.

3. The Chancery Clerk was unable to provide support for expenses on the annual financial report.

Finding

The Chancery Clerk claimed \$12,231 in expenses in 2017 for which the clerk could not provide supporting documentation.

Recommendation

The Chancery Clerk should maintain adequate documentation for expenses claimed on the annual financial report. The Chancery Clerk should also pay the amount of the \$12,231 in expenses for which there was no supporting documentation to the county as this will increase the amount that the Chancery Clerk exceeded the salary cap for the 2017 calendar year.

Chancery Clerk's Response

No response was provided for this finding.

Auditor's Note

This amount has not been paid to the County.

4. Record maintenance

Finding

During our audit, we noted instances of inadequate controls over the maintenance of records in the Chancery Clerk's office.

Recommendation

The Chancery Clerk should establish an effective system for maintaining accounting records.

Chancery Clerk's Response

No response was provided for this finding.

5. Chancery Clerk was not bonded.

Finding

Section 9-5-131, Miss. Code Ann. (1972), requires chancery clerks to be bonded in an amount equal to 5 percent of the sum of all the state and county taxes shown by the assessment rolls and levies to have been collectible in the county for the year immediately preceding the commencement of the term of office, not to exceed \$100,000. During the course of our test work, we found that the Chancery Clerk is

not bonded. The Chancery Clerk failed to appropriately bond himself. In the event of loss or misappropriation of funds by the Chancery Clerk, the County would not be able to recover the funds.

Recommendation

The Board of Supervisors should ensure that the Chancery Clerk is appropriately bonded according to Section 9-5-131, Miss. Code Ann. (1972).

Response

No response was provided for this finding.

Circuit Clerk

1. Distribution of Cash, Cash Journals and Bank Reconciliations

Finding

An effective system of internal control should ensure that all receipts and disbursements are recorded in the cash journals, all funds received are deposited in bank account, all disbursements are made by check, and the bank accounts are reconciled to the cash journals. During our review of the Circuit Clerk's distribution of cash and corresponding bank reconciliations, it came to our attention that the distribution of cash and bank reconciliation contained items from receipts that had not actually been deposited into the bank account. These items primarily pertained to restitution received by the Circuit Clerk in the form of cash payments. Instead of depositing the receipts, the Circuit Clerk contacted the recipient and requested they personally pick up the payments.

Recommendation

The Circuit Clerk should adhere to the best practice guidelines recommended in the Mississippi County Financial Accounting Manual, section E-109, Circuit Clerk, which recommends that the Circuit Clerk reconcile the bank statements to the cash journals monthly. By doing so, the Circuit Clerk would ensure that all receipts are accounted for and the distribution of cash correctly reflects all funds held by the Circuit Clerk.

Circuit Clerk's Response

We have made the necessary corrections by only receiving payments by money order, cashier's check and no cash payments. The guidelines will be followed.

2. Prior year employer retirement contributions on wages for Circuit Clerk

Finding

During the course of our test work, we noted that the Circuit Clerk claimed expenses for prior year employer retirement contributions on wages for the Circuit Clerk in the amount of \$6,626. The Board of Supervisors typically makes these payments, but in 2017, the Board paid the employee contributions in error.

Recommendation

In order to correct these errors made in the payments of the contributions, the Circuit Clerk should amend the Annual Financial Report to include only the portion of the retirement contributions paid over the amount of the employee retirement contributions.

Circuit Clerk's Response

Corrections will be made with the forms and all necessary payments.

3. The Circuit Clerk could not provide proper documentation for some expenses claimed on the annual financial report.

Finding

During the course of our test work, we noted that the Circuit Clerk claimed several expenses totaling \$955.85 on the annual financial report that were not supported by proper documentation.

Recommendation

The Circuit Clerk should ensure that proper documentation is maintained for all expenses claimed on the annual financial report. The Circuit Clerk should amend the annual financial report to include only expenses for which the clerk has proper documentation.

Circuit Clerk's Response

All expenses will be with the kept receipts for proof and documentation for all transactions.

4. Circuit Clerk was not bonded.

Finding

Section 9-7-121, Miss. Code Ann. (1972), requires circuit clerks to be bonded in an amount equal to 3 percent of the sum of all the state and county taxes shown by the assessment rolls and levies to have been collectible in the county for the year immediately preceding the commencement of the term of office, not to exceed \$100,000. During the course of our test work, we found that the Circuit Clerk is not bonded. The Circuit Clerk failed to appropriately bond herself. In the event of loss or misappropriation of funds by the Circuit Clerk, the County would not be able to recover the funds.

Recommendation

The Board of Supervisors should ensure that the Circuit Clerk is appropriately bonded according to Section 9-7-121, Miss. Code Ann. (1972).

Response

No response was provided for this finding.

Humphreys 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.

Bridgers, Goodman, Baird & Clarke, PLLC

Bridgers, Goodman, Baird & Clarke, PLLC
Certified Public Accountants
Vicksburg, Mississippi

April 16, 2020

HUMPHREYS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

HUMPHREYS COUNTY

Schedule of Findings and Responses 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:

Governmental activities	Qualified
Aggregate discretely presented component unit	Unmodified
General Fund	Unmodified
Aggregate remaining fund information	Unmodified
2. Internal control over financial reporting:
 - a. Material weakness identified? Yes
 - b. Significant deficiencies identified? Yes
3. Noncompliance material to the financial statements? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2017-001. The County does not record a liability for other postemployment benefits in the governmental activities.

Repeat Finding Yes

Criteria Humphreys County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions as a single employer defined benefit health care plan.

Condition GASB Statement No. 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits. However, the County has not recorded a liability for other postemployment benefits, nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

Cause The County does not have an actuarial valuation performed annually so that a liability for other postemployment benefits could be recorded.

HUMPHREYS COUNTY

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

Effect	The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities.
Recommendation	The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.
Response	No response was provided for this finding.

General County.

Significant Deficiency

2017-002.	<u>Improper bank reconciliations.</u>
Repeat Finding	No
Criteria	An effective system of internal controls requires that bank reconciliations be prepared accurately and timely and any identified unreconciled differences be resolved in a timely manner.
Condition	During the course of our test work, we found that bank reconciliations had been prepared but did not reconcile back to the general ledger cash balances.
Cause	The County did not reconcile the bank statements to the final general ledger amounts after all revenues, expenditures and adjusting journal entries were posted.
Effect	A delay in accurate bank reconciliations results in a weakness in the system of internal controls over cash and could result in the loss of county funds.
Recommendation	The County should establish and maintain an effective system over cash and ensure that all bank reconciliations are prepared on a monthly basis.
Response	No response was provided for this finding.

Inventory Control Clerk.

Significant Deficiency

2017-003.	<u>The Inventory Control Clerk did not record capital asset additions and deletions.</u>
Repeat Finding	Yes
Criteria	An effective system of internal controls over capital assets should include proper recording of additions and deletions.
Condition	The Inventory Control Clerk did not record additions and deletions to capital asset records.

HUMPHREYS COUNTY

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

Cause	The Inventory Control Clerk did not follow the best practice guidelines as described in the Mississippi County Financial Accounting Manual.
Effect	Failure to record capital asset additions and deletions could result in the loss of capital assets and inaccurate financial statements.
Recommendation	To achieve the objectives of the systems and account for capital asset additions and deletions, the Inventory Control Clerk should follow the best practice guidelines as described in the Mississippi County Financial Accounting Manual.
Response	No response was provided for this finding.