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**HOLMES COUNTY, MISSISSIPPI**  
**Audited Financial Statements and Special Reports**  
**For the Year Ended September 30, 2018**



HOLMES COUNTY  
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HOLMES COUNTY

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GOVERNMENT AUDIT QUALITY  
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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Holmes County, Mississippi

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holmes County, Mississippi, (the County) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holmes County, Mississippi, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

### ***Omission of Required Supplementary Information***

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

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holmes County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023 on our consideration of Holmes County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Holmes County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holmes County, Mississippi's internal control over financial reporting and compliance.

*Bridgers, Goodman, Baird & Clarke, PLLC*

Bridgers, Goodman, Baird & Clarke, PLLC  
Certified Public Accountants  
Vicksburg, MS  
October 16, 2023

FINANCIAL STATEMENTS

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash	\$ 10,966,150	5,456	10,971,606
Investments - restricted		1,694,771	1,694,771
Property tax receivable	6,440,859		6,440,859
Fines receivable (net of allowance for uncollectibles of \$1,865,889)	441,523		441,523
Capital leases receivable	259,273		259,273
Intergovernmental receivables	163,986	185,568	349,554
Other receivables	2,112,684		2,112,684
Internal balances	583,077	(583,077)	0
Capital assets:			
Land and construction in progress	399,066	120,000	519,066
Other capital assets, net	22,526,181	3,596,054	26,122,235
Total Assets	43,892,799	5,018,772	48,911,571
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	767,864	254,183	1,022,047
Total Deferred Outflows of Resources	767,864	254,183	1,022,047
LIABILITIES			
Claims payable	495,991	99,122	595,113
Intergovernmental payables	132,131		132,131
Accrued interest payable	19,880	7,792	27,672
Amounts held in custody for others	99,067		99,067
Long-term liabilities			
Net pension liability	8,808,087	2,720,059	11,528,146
Due within one year:			
Capital debt	868,403	460,000	1,328,403
Non-capital debt	348,490		348,490
Due in more than one year:			
Capital debt	3,785,876	475,000	4,260,876
Non-capital debt	2,541,154		2,541,154
Total Liabilities	17,099,079	3,761,973	20,861,052
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	250,901	72,691	323,592
Deferred revenue - interest on leases	26,539		26,539
Deferred revenues - property taxes	6,440,859		6,440,859
Total Deferred Inflows of Resources	6,718,299	72,691	6,790,990
NET POSITION			
Net investment in capital assets	18,270,968	2,781,054	21,052,022
Restricted for:			
Expendable:			
General government	225,868		225,868
Public safety	711,803		711,803
Public works	3,119,438		3,119,438
Health and welfare	52,414		52,414
Economic development and assistance	1,243,257		1,243,257
Unemployment compensation	20,000		20,000
Debt service	891,102	439,228	1,330,330
Nonexpendable	533,193		533,193
Unrestricted	(4,224,758)	(1,781,991)	(6,006,749)
Total Net Position	\$ 20,843,285	1,438,291	22,281,576

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

HOLMES COUNTY  
Statement of Activities  
For the Year Ended September 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,522,445	382,219	261,330	11,335	(3,867,561)		(3,867,561)
Public safety	1,846,662	190,416	123,600		(1,532,646)		(1,532,646)
Public works	5,491,894	14,544	829,222	531,489	(4,116,639)		(4,116,639)
Health and welfare	357,952		55,270		(302,682)		(302,682)
Conservation of natural resources	70,874				(70,874)		(70,874)
Economic development and assistance	281,171				(281,171)		(281,171)
Interest on long-term debt	234,866				(234,866)		(234,866)
Pension expense	1,243,761				(1,243,761)		(1,243,761)
Total Governmental Activities	<u>14,049,625</u>	<u>587,179</u>	<u>1,269,422</u>	<u>542,824</u>	<u>(11,650,200)</u>		<u>(11,650,200)</u>
Business-type activities:							
Regional Correctional Facility	3,048,104	2,575,874	2,820			(469,410)	(469,410)
Total Business-type Activities	<u>3,048,104</u>	<u>2,575,874</u>	<u>2,820</u>	<u>0</u>		<u>(469,410)</u>	<u>(469,410)</u>
Total Primary Government	<u>\$ 17,097,729</u>	<u>3,163,053</u>	<u>1,272,242</u>	<u>542,824</u>	<u>(11,650,200)</u>	<u>(469,410)</u>	<u>(12,119,610)</u>
General revenues:							
Property taxes					\$ 8,254,212		8,254,212
Road & bridge privilege taxes					187,636		187,636
Grants and contributions not restricted to specific programs					1,053,512		1,053,512
Unrestricted interest income					353,296	16,302	369,598
Miscellaneous					2,046,244	53,663	2,099,907
Total General Revenues					<u>11,894,900</u>	<u>69,965</u>	<u>11,964,865</u>
Changes in Net Position					<u>244,700</u>	<u>(399,445)</u>	<u>(154,745)</u>
Net Position - Beginning					<u>20,598,585</u>	<u>1,837,736</u>	<u>22,436,321</u>
Net Position - Ending					<u>\$ 20,843,285</u>	<u>1,438,291</u>	<u>22,281,576</u>

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

HOLMES COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2018

Exhibit 3

	Major Fund	Other	Total
	General Fund	Governmental Funds	Governmental Funds
ASSETS			
Cash	\$ 4,402,605	6,563,545	10,966,150
Property tax receivable	3,953,859	2,487,000	6,440,859
Fines receivable (net of allowance for uncollectibles of \$1,865,889)	441,523		441,523
Capital lease receivable		259,273	259,273
Intergovernmental receivables	72,346	91,640	163,986
Other receivables	1,559,271	20,220	1,579,491
Due from other funds	1,900,113	42,276	1,942,389
Advances to other funds	533,193		533,193
Total Assets	\$ 12,862,910	9,463,954	22,326,864
LIABILITIES			
Liabilities:			
Claims payable	\$ 111,377	384,614	495,991
Intergovernmental payables	132,131		132,131
Due to other funds	42,276	1,317,036	1,359,312
Amounts held in custody for others	88,343	10,724	99,067
Total Liabilities	\$ 374,127	1,712,374	2,086,501
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	3,953,859	2,487,000	6,440,859
Unavailable revenue - capital lease		259,273	259,273
Unavailable revenue - fines	441,523		441,523
Total Deferred Inflows of Resources	\$ 4,395,382	2,746,273	7,141,655
Fund balances:			
Nonspendable:			
Advances	533,193		533,193
Restricted for:			
General government		225,868	225,868
Public safety		711,803	711,803
Public works		3,119,438	3,119,438
Health and welfare		52,414	52,414
Economic development and assistance		1,243,257	1,243,257
Debt service		910,982	910,982
Unemployment compensation		20,000	20,000
Unassigned	7,560,208	(1,278,455)	6,281,753
Total Fund Balances	\$ 8,093,401	5,005,307	13,098,708
Total Liabilities, Deferred inflows of Resources and Fund Balances	\$ 12,862,910	9,463,954	22,326,864

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

## HOLMES COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2018

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 13,098,708
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$11,618,501.	22,925,247
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	441,523
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,543,923)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(8,808,087)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(19,880)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	232,734
Deferred outflows and inflows of resources related to pension obligations are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	767,864
Deferred inflows of resources related to pensions	<u>(250,901)</u>
Total Net Position - Governmental Activities	\$ <u><u>20,843,285</u></u>

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

## HOLMES COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2018

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 5,066,549	3,187,663	8,254,212
Road and bridge privilege taxes		187,636	187,636
Licenses, commissions and other revenue	185,984	39,903	225,887
Fines and forfeitures	148,283		148,283
Intergovernmental revenues	349,130	2,516,628	2,865,758
Charges for services	74,189	164,188	238,377
Interest income	345,749	7,547	353,296
Miscellaneous revenues	342,402	173,557	515,959
Total Revenues	6,512,286	6,277,122	12,789,408
EXPENDITURES			
Current:			
General government	3,124,410	664,332	3,788,742
Public safety	1,767,259	139,507	1,906,766
Public works	16,364	5,473,716	5,490,080
Health and welfare	326,989		326,989
Conservation of natural resources	70,874		70,874
Economic development and assistance	152,514	75,796	228,310
Debt service:			
Principal		1,346,218	1,346,218
Interest		245,988	245,988
Total Expenditures	5,458,410	7,945,557	13,403,967
Excess of Revenues over (under) Expenditures	1,053,876	(1,668,435)	(614,559)
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		161,224	161,224
Proceeds from sale of capital assets	2,901,164	3,350	2,904,514
Transfers in		1,460,882	1,460,882
Transfers out	(1,460,882)		(1,460,882)
Lease principal payments		29,056	29,056
Total Other Financing Sources and Uses	1,440,282	1,654,512	3,094,794
Net Changes in Fund Balances	2,494,158	(13,923)	2,480,235
Fund Balances - Beginning	5,599,243	5,019,230	10,618,473
Fund Balances - Ending	\$ 8,093,401	5,005,307	13,098,708

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

## HOLMES COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2018

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 2,480,235
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$1,213,476 exceeded capital outlays of \$782,412 in the current period.	(431,064)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$660,855 and the proceeds from the disposition of \$2,904,514 in the current period.	(2,243,659)
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.	(25,368)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,346,218 exceeded debt proceeds of \$161,224.	1,184,994
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by the following item:	
Decrease in accrued interest payable	11,122
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	(29,056)
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	(1,243,761)
Recording of contributions made during the year	<u>541,257</u>
Change in Net Position of Governmental Activities	\$ <u><u>244,700</u></u>

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

HOLMES COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2018

Exhibit 5

	Business-type Activities Enterprise Fund Holmes-Humphreys Regional Correctional Facility Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 5,456
Intergovernmental receivables	185,568
Total Current Assets	<u>191,024</u>
Noncurrent assets:	
Investments - restricted	1,694,771
Capital assets:	
Land	120,000
Other capital assets, net	3,596,054
Total Noncurrent Assets	<u>5,410,825</u>
Total Assets	<u>5,601,849</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	254,183
Total Deferred Outflows of Resources	<u>254,183</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	99,122
Due to other funds	583,077
Accrued interest payable	7,792
Limited obligation bonds payable	460,000
Total Current Liabilities	<u>1,149,991</u>
Noncurrent liabilities:	
Net pension liability	2,720,059
Capital debt:	
Limited obligation bonds payable	475,000
Total Noncurrent Liabilities	<u>3,195,059</u>
Total Liabilities	<u>4,345,050</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	72,691
Total Deferred Inflows of Resources	<u>72,691</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,781,054
Restricted for:	
Debt service	439,228
Unrestricted	(1,781,991)
Total Net Position	\$ <u><u>1,438,291</u></u>

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

## HOLMES COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2018

		Business-type Activities Enterprise Fund
		Holmes-Humphreys Regional Correctional Facility Fund
Operating Revenues		
Charges for services	\$	2,575,874
Miscellaneous		53,663
Total Operating Revenues		<u>2,629,537</u>
Operating Expenses		
Personal services		1,496,084
Contractual services		427,003
Materials and supplies		571,323
Depreciation expense		112,660
Indirect administrative cost		44,572
Pension expense		360,887
Total Operating Expenses		<u>3,012,529</u>
Operating Income (Loss)		<u>(382,992)</u>
Nonoperating Revenues (Expenses)		
Interest income		16,302
Intergovernmental grants		2,820
Interest expense		(35,575)
Net Nonoperating Revenue (Expenses)		<u>(16,453)</u>
Net Income (Loss)		<u>(399,445)</u>
Net Position - Beginning		<u>1,837,736</u>
Net Position - Ending	\$	<u><u>1,438,291</u></u>

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

HOLMES COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2018

Exhibit 7

	Business-type Activities Enterprise Fund
	Holmes-Humphreys Regional Correctional Facility Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,589,767
Payments to suppliers	(961,123)
Payments to employees	(1,661,743)
Payments to General Fund for indirect costs	(44,572)
Other operating cash receipts	57,963
Net Cash Provided (Used) by Operating Activities	(19,708)
Cash Flows From Capital and Related Financing Activities	
Intergovernmental loans received	541,399
Principal paid on long-term debt	(440,000)
Interest paid on debt	(50,700)
Net Cash Provided (Used) by Capital and Related Financing Activities	50,699
Cash Flows From Investing Activities	
Proceeds from sale and maturities of investments	(47,293)
Interest and dividends on investments	16,302
Net Cash Provided (Used) by Investing Activities	(30,991)
Net Increase (Decrease) in Cash and Cash Equivalents	0
Cash and Cash Equivalents at Beginning of Year	5,456
Cash and Cash Equivalents at End of Year	\$ 5,456
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (382,992)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	112,660
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivable	13,818
(Increase) decrease in other receivables	4,375
(Increase) decrease in deferred outflows of resources	(53,521)
Increase (decrease) in claims payable	28,560
Increase (decrease) in pension liability	209,641
Increase (decrease) in deferred inflows of resources	47,751
Total Adjustments	363,284
Net Cash Provided (Used) by Operating Activities	\$ (19,708)

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

HOLMES COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2018

Exhibit 8

		Agency Funds
ASSETS		
Cash	\$	616,384
Total Assets	\$	616,384
LIABILITIES		
Amounts held in custody for others	\$	15,863
Intergovernmental payables		67,328
Advances from other funds		533,193
Total Liabilities	\$	616,384

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

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Holmes County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Holmes County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

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

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

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

#### Fund Financial Statements:

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

#### C. Measurement Focus and Basis of Accounting.

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Fund:

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

debt service or capital projects.

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

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

#### PROPRIETARY FUND TYPE

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

#### FIDUCIARY FUND TYPE

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned.

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### H. Restricted Assets.

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

#### I. Capital Assets.

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

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

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

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

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

### J. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 8 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

Deferred inflows 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 8 for additional details.

Deferred revenue – interest on leases/unavailable revenue – capital leases – Deferred inflows of resources measured at the initial value of the lease receivable to reflect that the receivable relates to future periods.

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

#### K. Pensions.

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

#### L. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position.

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

#### M. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

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

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

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

Net Position Flow Assumption:

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

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

#### Fund Financial Statements:

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

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

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

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

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

#### Fund Balance Flow Assumption:

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

#### N. Property Tax Revenues:

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

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 collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### O. Intergovernmental Revenues in Governmental Funds.

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

#### P. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. However, the County does not have an OPEB plan.

#### (2) Deposits and Investments.

##### Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$11,587,990, and the bank balance was \$11,858,645. 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.

##### Investments:

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

Investments balances at September 30, 2018, are as follows:

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
<b>Business-type Activities:</b>			
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	Less than one year	\$ <u>1,694,771</u>	AAAm
Total		\$ <u><u>1,694,771</u></u>	

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

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

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

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

### (3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2018:

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,317,036
General Fund	Holmes-Humphreys Regional Correctional Facility Fund	583,077
Other Governmental Funds	General Fund	<u>42,276</u>
Total		\$ <u><u>1,942,389</u></u>

The receivables represent the tax revenue collected in September 2018, but not settled until October, 2018, monies paid to fund projects until grant proceeds are received and to cover

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

operating costs. All interfund balances are expected to be repaid within one year from the date of the financial statements.

### B. Advances from/to Other Funds:

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

The amount payable to the General Fund from the Agency Fund represent funds deposited into the county clearing account.

### C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	<u>1,460,882</u>
Total		<u>\$ 1,460,882</u>

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

### (4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2018, consisted of the following:

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

Description	Amount
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 56,437
Timber severance tax	779
Reimbursement for city garbage pickup	469
Reimbursement for litter pickup	2,041
Welfare reimbursement	9,956
Drug court	10,151
Youth court	988
Reimbursement for law library	3,080
Motor vehicle fuel tax	63,995
Motor vehicle license	9,597
Heavy duty truck tax	1,186
Small municipalities grant	5,307
Total Governmental Activities	\$ <u>163,986</u>
<b>Business-type Activities:</b>	
Reimbursement for housing inmates	\$ <u>185,568</u>
Total Business-type Activities	\$ <u>185,568</u>

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2018:

**Governmental activities:**

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments*	Balance Sept. 30, 2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 425,999	8,992	70,000		364,991
Construction in progress	5,966,469	620,877		(6,553,271)	34,075
Total non-depreciable capital assets	6,392,468	629,869	70,000	(6,553,271)	399,066
<u>Depreciable capital assets:</u>					
Infrastructure	11,295,088			6,404,422	17,699,510
Buildings	9,939,022		3,010,075	148,849	7,077,796
Mobile equipment	5,110,638	146,543	41,943	286,785	5,502,023
Furniture and equipment	785,353	6,000			791,353
Leased property under capital leases	3,360,785			(286,785)	3,074,000
Total depreciable capital assets	30,490,886	152,543	3,052,018	6,553,271	34,144,682
<u>Less accumulated depreciated for:</u>					
Infrastructure	2,951,769	425,461			3,377,230
Buildings	2,888,896	171,671	840,610		2,219,957
Mobile equipment	3,733,934	285,710	37,749	143,979	4,125,874
Furniture and equipment	543,893	70,032			613,925
Leased property under capital leases	1,164,892	260,602		(143,979)	1,281,515
Total accumulated depreciation	11,283,384	1,213,476	878,359	-	11,618,501
Total depreciable capital assets, net	19,207,502	(1,060,933)	2,173,659	6,553,271	22,526,181
Governmental activities capital assets, net	\$ 25,599,970	(431,064)	2,243,659	-	22,925,247

\* Adjustments are to transfer completed construction in progress to infrastructure and buildings and paid out capital leases to mobile equipment.

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

**Business-type activities:**

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments	Balance Sept. 30, 2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 120,000				120,000
Total non-depreciable capital assets	120,000				120,000
<u>Depreciable capital assets:</u>					
Buildings	5,333,915				5,333,915
Improvements other than buildings	36,149				36,149
Mobile equipment	146,733				146,733
Furniture and equipment	84,603				84,603
Total depreciable capital assets	5,601,400				5,601,400
<u>Less accumulated depreciated for:</u>					
Buildings	1,687,260	106,678			1,793,938
Improvements other than buildings	14,641	1,627			16,268
Mobile equipment	127,740	1,080			128,820
Furniture and equipment	63,045	3,275			66,320
Total accumulated depreciation	1,892,686	112,660			2,005,346
Total depreciable capital assets, net	3,708,714	(112,660)			3,596,054
Business-type activities capital assets, net	\$ 3,828,714	(112,660)			3,716,054

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental activities:</b>	
General government	\$ 158,505
Public safety	76,271
Public works	882,621
Health and welfare	39,629
Economic development and assistance	56,450
Total governmental activities depreciation expense	\$ 1,213,476

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

	<u>Amount</u>
<b>Business-type activities:</b>	
Correctional facility	\$ <u>112,660</u>

Commitments with respect to unfinished capital projects as of September 30, 2018, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Old Wilson Road Bridge	Undetermined	Undetermined
Eulogy Bridge	Undetermined	Undetermined

(6) 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, 2018, to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessor:

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

The County leases the following property with varying terms and options as of September 30, 2018:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2018, are as follows:

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 29,939	6,665
2020	30,850	5,753
2021	31,788	4,815
2022	32,755	3,848
2023	33,751	2,852
2024 - 2026	<u>73,651</u>	<u>2,606</u>
Total	\$ <u>232,734</u>	<u>26,539</u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2018:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,895,537
Furniture and equipment	<u>178,463</u>
Total	3,074,000
Less: Accumulated depreciation	<u>1,281,515</u>
Leased Property Under Capital Leases	\$ <u>1,792,485</u>

The following is a schedule by years of the total payments due as of September 30, 2018:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 445,403	35,536
2020	925,300	18,001
2021	245,837	4,781
2022	<u>43,739</u>	<u>535</u>
Total	\$ <u>1,660,279</u>	<u>58,853</u>

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

#### (8) Defined Benefit Pension Plan.

##### *General Information about the Pension Plan*

Plan Description. Holmes County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

Contributions. At September 30, 2018, 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, 2018 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, 2018, 2017 and 2016 were \$698,273, \$665,481 and \$617,917, 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, 2018, the County reported a liability of \$11,528,146 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

determined. The County's proportionate share used to calculate the September 30, 2018 net pension liability was .069309 percent, which was based on a measurement date of June 30, 2018. This was an increase of .005567 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, the County recognized pension expense of \$1,243,761 in the governmental activities and \$360,887 in the business-type activities for a total pension expense of \$1,604,648. At September 30, 2018, 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	\$ 46,385	44,694
Net difference between projected and actual earnings on pension plan investments		244,942
Changes of assumptions		33,956
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	813,632	-
County contributions subsequent to the measurement date	162,030	-
Total	\$ 1,022,047	323,592

\$162,030 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30	Amount
2019	\$ 400,524
2020	227,023
2021	(39,279)
2022	(51,843)
Total	\$ 536,425

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

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, 2018 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, 2018, 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	-
Total	100.00 %	

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

Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following 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:

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

	 1% Decrease (6.75%)	 Current Discount Rate (7.75%)	 1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 15,179,260	11,528,146	8,493,588

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

### (9) Long-term Debt.

Debt outstanding as of September 30, 2018, consisted of the following:

HOLMES COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
County Building Bond	\$ 1,220,000	3.75/5.125%	09/2028
County Road and Building	1,080,000	3.10/4.25%	08/2025
District 4 Road and Bridge	325,000	2.30/3.20%	08/2023
District 2 R & B, Series 2014	159,000	1.90%	09/2024
District 3 R & B, Series 2014	127,000	1.90%	09/2024
District 4 R & B, Series 2014	53,000	1.63%	09/2019
Countywide Road Bond, Series 2017	<u>2,285,000</u>	3.35%	03/2027
Total General Obligation Bonds	<u>\$ 5,249,000</u>		
B. Capital Leases:			
E-911 System	\$ 4,728	2.51%	12/2018
Volvo motor grader	66,110	1.90%	09/2019
Volvo motor grader	66,110	2.24%	09/2019
Case Extendahoe	15,568	2.27%	04/2020
Kobelco excavator	3,103	2.29%	12/2018
JD tractor	4,151	2.22%	03/2019
2 Garbage trucks	231,386	1.96%	05/2020
2012 Volvo motor grader	79,899	2.24%	12/2019
2012 Volvo motor grader	91,483	2.43%	01/2021
3 Western Star Trucks	325,602	2.09%	01/2020
3 Western Star Dump Trucks	318,154	2.34%	03/2020
2012 Volvo motor grader	91,483	2.43%	01/2021
Caterpillar motor grader	85,923	2.55%	09/2021
Kubota tractor	31,904	2.25%	10/2021
John Deere 6135E Tractor	50,954	2.64%	07/2022
Case Backhoe	49,353	2.64%	07/2022
2 Mack Trucks	116,849	3.54%	05/2022
JD Utility Tractor 5100E	<u>27,519</u>	3.59%	05/2021
Total Capital Leases	<u>\$ 1,660,279</u>		
C. Other Loans:			
Negotiable Note - Road repairs	\$ 30,000	1.48%	09/2019
Capital Improvement Loan	230,383	3.00%	11/2025
2016 District 5 Road	91,853	2.15%	09/2021
District 3 G.O. Note	161,376	1.75%	07/2022
District 4 G.O. Note	<u>121,032</u>	1.75%	07/2022
Total Other Loans	<u>\$ 634,644</u>		

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Business-type Activities:</b>			
A. Limited Obligation Bonds:			
Urban renewal revenue bonds	\$ 935,000 *	3.00/4.00%	06/2020
Total Limited Obligation Bonds	\$ 935,000		

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

### Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2019	\$ 613,000	170,205	158,490	14,126
2020	585,000	150,676	131,388	10,920
2021	607,000	131,508	134,141	8,090
2022	623,000	111,293	105,125	5,197
2023	655,000	90,272	33,667	2,936
2024 - 2028	2,166,000	166,576	71,833	2,814
Total	\$ 5,249,000	820,530	634,644	44,083

### Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2019	\$ 460,000	28,200
2020	475,000	9,500
Total	\$ 935,000	37,700

**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

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2018, the amount of outstanding debt was equal to 4.56% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sept. 30, 2018	Amount due within one year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 5,843,000	-	594,000	5,249,000	613,000
Capital leases	2,095,213	161,224	596,158	1,660,279	445,403
Other loans	790,704	-	156,060	634,644	158,490
Total	<u>\$ 8,728,917</u>	<u>161,224</u>	<u>1,346,218</u>	<u>7,543,923</u>	<u>1,216,893</u>

	Balance Oct. 1, 2017	Additions	Reductions	Balance Sept. 30, 2018	Amount due within one year
<b>Business-type Activities:</b>					
Limited obligation bonds	\$ 1,375,000	-	440,000	935,000	460,000
Total	<u>\$ 1,375,000</u>	<u>-</u>	<u>440,000</u>	<u>935,000</u>	<u>460,000</u>

### (10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2018:

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

Fund	Deficit Amount
FEMA Federal Disaster	\$ 709,643
AOC/Drug - DUI Fund	67,414
Victims of Crime Grants	47,834
Small Municipalities & Limited Population	84,325
Reappraisal of property	1,193
Law Library	147
District 3 Road Fund	118,956
District 1 Bridge Fund	96,685
District 3 Bridge Fund	140,107
District 4 Road Bond	4,119
Lexington Homes I&S Fund	8,032

### (11) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

### (12) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$4,224,758) 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 \$125,595 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, 2019. The \$642,269 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 3 years. The \$250,901 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next 4 years.

The governmental activities' unrestricted net position amount of (\$4,224,758) includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$26,539 balance of deferred inflows of resources at September 30, 2018, will be recognized as revenue and will increase the unrestricted net position over the next 8 years.

The business-type activities' unrestricted net position amount of (1,781,991) 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 \$36,435 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, 2019. The \$217,748 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be

## HOLMES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

recognized in pension expense over the next 3 years. The \$72,691 balance of the deferred inflow of resources related to pension at September 30, 2018, will be recognized in pension expense over the next 4 years.

(13) Related Organization.

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

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Holmes County Board of Supervisors appoints six of the 22 members of the board of trustees. The county appropriated \$576,043 for maintenance and support of the college in fiscal year 2018.

The Mid-Mississippi Regional Library System operates in a district composed of the counties of Attala, Holmes, Leake, Montgomery and Winston. The Holmes County Board of Supervisors appoints one of the five members of the library board of directors. The county appropriated \$212,978 for maintenance and support of the library in fiscal year 2018.

North Central Planning and Development District operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Holmes County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$58,500 to the district in fiscal year 2018.

Region Six Mental Health/Mental Retardation Center Life Help operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Holmes County Board of Supervisors appoints one of the eight members of the district board of commissioners. Holmes County appropriated \$26,800 for maintenance and support of the center in fiscal year 2018.

The Yazoo-Mississippi Water Management District operates in a district composed of the counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Holmes County Board of Supervisors appoints one of the 21 members of the district board of commissioners. The county levied a .71 mill tax in support of the district in fiscal year 2018.

(15) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Holmes County evaluated the activity of the County through October 16, 2023 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

# HOLMES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2018

Subsequent to September 30, 2018, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/2018	3.77%	\$ 58,405	Capital lease	Ad valorem revenue
04/2019	2.34%	250,000	Bonded debt	Ad valorem revenue
09/2019	3.85%	100,000	Capital lease	Ad valorem revenue
01/2020	4.19%	62,500	Capital lease	Ad valorem revenue
02/2020	3.16%	149,350	Capital lease	Ad valorem revenue
02/2020	3.16%	378,000	Capital lease	Ad valorem revenue
03/2020	3.16%	526,000	Capital lease	Ad valorem revenue
03/2020	3.35%	464,000	Capital lease	Ad valorem revenue
04/2020	2.93%	40,900	Capital lease	Ad valorem revenue
09/2020	0.14%	400,000	Bonded debt	Ad valorem revenue
12/2020	0.42%	200,000	Other loan	Ad valorem revenue
03/2021	2.99%	210,586	Capital lease	Ad valorem revenue
03/2021	2.99%	242,965	Capital lease	Ad valorem revenue
03/2021	2.99%	192,460	Capital lease	Ad valorem revenue
04/2021	2.99%	151,900	Capital lease	Ad valorem revenue
04/2021	1.23%	1,749,000	Bonded debt	Ad valorem revenue
06/2022	5.06%	598,000	Capital lease	Ad valorem revenue
06/2022	4.22%	172,000	Capital lease	Ad valorem revenue
06/2022	5.25%	220,000	Capital lease	Ad valorem revenue
06/2022	5.11%	298,000	Refinance	Ad valorem revenue
06/2022	5.06%	350,000	Capital lease	Ad valorem revenue
06/2022	6.59%	70,050	Capital lease	Ad valorem revenue

## HOLMES COUNTY

### REQUIRED SUPPLEMENTARY INFORMATION

HOLMES COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2018  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,973,522	5,080,551	5,080,551	
Licenses, commissions and other revenue	152,600	183,957	183,957	
Fines and forfeitures	166,000	136,499	136,499	
Intergovernmental revenues	394,745	422,189	422,189	
Charges for services	80,000	71,051	71,051	
Interest income	135,000	345,535	345,535	
Miscellaneous revenues	253,010	532,962	532,962	
Total Revenues	<u>6,154,877</u>	<u>6,772,744</u>	<u>6,772,744</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,435,407	3,305,928	3,305,928	
Public safety	1,828,449	1,862,367	1,862,367	
Public works	34,856	13,164	13,164	
Health and welfare	374,675	331,449	331,449	
Conservation of natural resources	109,865	69,820	69,820	
Economic development and assistance	184,625	149,913	149,913	
Total Expenditures	<u>5,967,877</u>	<u>5,732,641</u>	<u>5,732,641</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>187,000</u>	<u>1,040,103</u>	<u>1,040,103</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	335,000	184,829	184,829	
Other financing uses	(569,000)	(1,047,655)	(1,047,655)	
Total Other Financing Sources and Uses	<u>(234,000)</u>	<u>(862,826)</u>	<u>(862,826)</u>	<u>0</u>
Net Change in Fund Balance	(47,000)	177,277	177,277	
Fund Balances - Beginning	<u>2,310,000</u>	<u>5,014,400</u>	<u>5,014,400</u>	
Fund Balances - Ending	<u>\$ 2,263,000</u>	<u>5,191,677</u>	<u>5,191,677</u>	<u>0</u>

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

HOLMES COUNTY  
Schedule of the County's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2018  
UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.069309%	0.063742%	0.062028%	0.063859%	0.064070%
County's proportionate share of the net pension liability (asset)	\$ 11,528,146	10,596,083	11,079,750	9,871,342	7,776,925
Covered payroll	\$ 4,371,722	4,187,257	3,968,063	3,989,537	3,914,997
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	263.70%	253.06%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

\* The amounts presented for each fiscal year were determined as of the twelve months ended at 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 has 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.

HOLMES COUNTY  
Schedule of County Contributions  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2018  
UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 698,273	665,481	617,917	624,911
Contributions in relation to the contractually required contribution	<u>698,273</u>	<u>665,481</u>	<u>617,917</u>	<u>624,911</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 4,433,479	4,225,276	3,923,276	3,967,683
Contributions as a percentage of covered payroll	15.75%	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 has 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.

HOLMES COUNTY  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2018  
UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required 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 schedule to the GAAP basis financial statements for the General Fund:

	Governmental Fund Types
	General Fund
Budget (Cash Basis)	\$ 177,277
Increase (Decrease)	
Net adjustments for revenue accruals	2,455,877
Net adjustments for expenditure accruals	(138,996)
GAAP Basis	\$ <u>2,494,158</u>

HOLMES COUNTY  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2018  
UNAUDITED

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. Small adjustments were also made to the Mortality Table for disabled lives.

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

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% 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.

HOLMES COUNTY  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2018  
UNAUDITED

**Method and assumptions used in calculations of actuarially determined contributions.**

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

## HOLMES COUNTY

## SUPPLEMENTARY INFORMATION

HOLMES COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2018

Operating Expenditures, Cash Basis:

Salaries	\$	209,808
Expendable Commodities:		
Gasoline and petroleum products		43,506
Tires and tubes		10,003
Repair parts		17,569
Office, field and shop supplies		2,687
Solid waste contract and disposal fee		73,249
Other miscellaneous expense		10,042
Telephone		1,350
Principal retirement and interest		<u>55,337</u>
Solid Waste Cash Basis Operating Expenditures		423,551
Full Cost Expenses:		
Indirect administrative costs		22,261
Depreciation on equipment		<u>31,608</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>477,420</u></u>

## HOLMES COUNTY

## OTHER INFORMATION

HOLMES COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2018  
UNAUDITED

Name	Position	Company	Bond
Henry Anderson	Supervisor District 1	Western Surety Company	\$ 100,000
James Young	Supervisor District 2	Nationwide Mutual Insurance	\$ 100,000
Debra Mabry	Supervisor District 3	Nationwide Mutual Insurance	\$ 100,000
Larry Davis	Supervisor District 4	Nationwide Mutual Insurance	\$ 100,000
Eddie Carthan	Supervisor District 5	Nationwide Surety & Fidelity	\$ 100,000
Henry Luckett	Chancery Clerk	Nationwide Mutual Insurance	\$ 100,000
Linda Rollins	Tax Assessor/Collector	Western Surety Company	\$ 100,000
Kahaliah Cook	Deputy Tax Assessor/Collector	RLI Insurance Company	\$ 50,000
Sandra Green	Deputy Tax Assessor/Collector	RLI Insurance Company	\$ 50,000
Wanda S. Harrell	Deputy Tax Assessor/Collector	RLI Insurance Company	\$ 50,000
Tina K. Upchurch	Deputy Tax Assessor/Collector	Western Surety Company	\$ 50,000
Jacqueline Wilson	Deputy Tax Assessor/Collector	Western Surety Company	\$ 10,000
Earline Wright-Hart	Circuit Clerk	Hartford Fire Insurance Company	\$ 100,000
Debra Randle	Deputy Circuit Clerk	RLI Insurance Company	\$ 50,000
Brenda Travis	Deputy Circuit Clerk	RLI Insurance Company	\$ 50,000
Willie March	Sheriff	RLI Insurance Company	\$ 100,000
Vanessa Truss	Assistant Purchase Clerk	Nationwide Mutual Insurance	\$ 50,000
Alanda Taylor	Assistant Purchase Clerk	RLI Insurance Company	\$ 50,000
Charlie Luckett	Receiving Clerk	RLI Insurance Company	\$ 75,000
Alphonzo Greer	Assistant Receiving Clerk	Western Surety Company	\$ 50,000
Wilma P. Jones	Assistant Receiving Clerk	Nationwide Mutual Insurance	\$ 20,000
Willie E. March	Assistant Receiving Clerk	Nationwide Mutual Insurance	\$ 50,000
Alphonso Mayfield	Assistant Receiving Clerk	Nationwide Mutual Insurance	\$ 50,000
David Montgomery	Assistant Receiving Clerk	Nationwide Mutual Insurance	\$ 50,000
Betsy K. Padgett	Assistant Receiving Clerk	Nationwide Mutual Insurance	\$ 50,000
Jeressia D. Quinn	Assistant Receiving Clerk	Travelers Casualty and Surety	\$ 50,000
Roosevelt Stroud	Assistant Receiving Clerk	Nationwide Mutual Insurance	\$ 50,000
L. C. Tate	Assistant Receiving Clerk	Nationwide Mutual Insurance	\$ 50,000
Brenda P. Travis	Assistant Receiving Clerk	Nationwide Mutual Insurance	\$ 50,000
Verkeisha Wilkes	Assistant Receiving Clerk	Nationwide Mutual Insurance	\$ 50,000
Vickie Andrews	Assistant Receiving Clerk	Nationwide Mutual Insurance	\$ 10,000
Charlie M. Joiner	Inventory Control Clerk	Western Surety Company	\$ 75,000
Willie Anderson	Constable	Nationwide Mutual Insurance	\$ 50,000
Sharkey Ford	Constable	Nationwide Mutual Insurance	\$ 50,000
Marcus Fisher	Justice Court Judge	RLI Insurance Company	\$ 50,000
Shirley Neal, III	Justice Court Judge	Western Surety Company	\$ 50,000
Stella D. Ross	Justice Court Clerk	Nationwide Mutual Insurance	\$ 50,000
Lillie A. Simmons	Deputy Justice Court Clerk	Nationwide mutual Insurance	\$ 50,000
Patricia Watts	Deputy Justice Court Clerk	Western Surety Company	\$ 50,000
Lillie Jobe	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Wanda Lancaster	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Kathryn Irving	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Lori A. Butler	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Brenda McKenzie	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Ashleigh Owens	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Myrtle Rayburn	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Kelsey Rodriguez	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Fricka Blackmon Ruffin	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Katherine Squires	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Laura Sullivan	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Sheila Woodard	Deputy Tax Collector	Liberty Mutual Surety	\$ 50,000
Anita Wray	Circuit Clerk	RLI Insurance Company	\$ 100,000
Wanda Jefferson	Deputy Circuit Clerk	Liberty Mutual Surety	\$ 50,000
Priscilla Blankenship	Deputy Circuit Clerk	Liberty Mutual Surety	\$ 50,000
Tina Ann Blount	Deputy Circuit Clerk	Liberty Mutual Surety	\$ 50,000
Monica Henderson	Deputy Circuit Clerk	Liberty Mutual Surety	\$ 50,000
Teresa Speaks	Deputy Circuit Clerk	Liberty Mutual Surety	\$ 50,000
Randall C. Tucker	Sheriff	Liberty Mutual Surety	\$ 100,000
Kesha Jackson-Buckner	Purchase Clerk	Liberty Mutual Surety	\$ 100,000
Cynthia Parker	Assistant Purchase Clerk	Liberty Mutual Surety	\$ 50,000
Myrtis Sims	Receiving Clerk	Liberty Mutual Surety	\$ 75,000
Clara Griffin	Assistant Receiving Clerk	Liberty Mutual Surety	\$ 50,000
LeeAnn Sanders	Assistant Receiving Clerk	Liberty Mutual Surety	\$ 50,000
Amy Miller	Assistant Receiving Clerk	Liberty Mutual Surety	\$ 50,000
Yahatta Johnson	Assistant Receiving Clerk	Liberty Mutual Surety	\$ 50,000
Jay Hilliard	Inventory Control Clerk	Liberty Mutual Surety	\$ 75,000
Cornelius Bacon	Road Manager	Liberty Mutual Surety	\$ 75,000
William L. Weisenberger, Jr.	Constable	Liberty Mutual Surety	\$ 50,000
Johnny Melvin Sims	Constable	Liberty Mutual Surety	\$ 50,000
Brad D. Harbour	Constable	Liberty Mutual Surety	\$ 50,000
Michael Brown	Constable	Liberty Mutual Surety	\$ 50,000
Martina Bridges Griffin	Justice Court Judge	Liberty Mutual Surety	\$ 50,000
Marsha Weems Stacey	Justice Court Judge	Liberty Mutual Surety	\$ 50,000
Lloyd Spivey, III	Justice Court Judge	Liberty Mutual Surety	\$ 50,000
William Bruce McKinley	Justice Court Judge	Liberty Mutual Surety	\$ 50,000
Cheryl Johnson Horn	Justice Court Clerk	Liberty Mutual Surety	\$ 50,000
Lisa Lee	Deputy Justice Court Clerk	Liberty Mutual Surety	\$ 50,000
Noel Collier	Deputy Justice Court Clerk	Liberty Mutual Surety	\$ 50,000
Mary Hart	Deputy Justice Court Clerk	Liberty Mutual Surety	\$ 50,000
Mary Luckett	Deputy Justice Court Clerk	Liberty Mutual Surety	\$ 50,000
Stephanie Burton	Deputy Justice Court Clerk	Liberty Mutual Surety	\$ 50,000
Shelia Taylor	Deputy Justice Court Clerk	Liberty Mutual Surety	\$ 50,000
James Ransburg	Deputy Justice Court Clerk	Liberty Mutual Surety	\$ 50,000
Sarah Steele	Deputy Justice Court Clerk	Liberty Mutual Surety	\$ 50,000

## HOLMES 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  
Holmes County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Holmes County, Mississippi (the County), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 16, 2023.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Holmes County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Holmes County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated October 16, 2023, included within this document.

### **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, MS  
October 16, 2023



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

Members of the Board of Supervisors  
Holmes County, Mississippi

We have examined Holmes County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2018. The Board of Supervisors of Holmes County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Holmes County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Holmes County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2018.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination and, in our opinion, is fairly presented in relation to that examination.

This report is intended for use in evaluating Holmes County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Bridgers, Goodman, Baird & Clarke, PLLC*

Bridgers, Goodman, Baird & Clarke, PLLC  
Certified Public Accountants  
Vicksburg, MS  
October 16, 2023

HOLMES COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder  
For the Year Ended September 30, 2018

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

HOLMES COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2018

Schedule 2

Our tests did not identify any emergency purchases.

HOLMES COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2018

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  
Holmes County, Mississippi

In planning and performing our audit of the financial statements of Holmes County, Mississippi for the year ended September 30, 2018, we considered Holmes County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Holmes County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 16, 2023, on the financial statements of Holmes County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations and your responses are disclosed below:

### Board of Supervisors and Purchase Clerk

1. Public Officials Should Ensure that Credit Card Expenditures are in Compliance with State Law.

**Repeat Finding** No.

**Criteria** *Section 19-3-68, Mississippi Code Annotated (1972), states, "The board of supervisors of any county may acquire one or more credit cards which may be used by members of the board of supervisors and county employees to pay expenses incurred by them when traveling in or out of the state in the performance of their official duties....The issuance of a credit card to a supervisor or county employee under the provisions of this section does not authorize the supervisor or county employee to use the credit card to make any expenditure that is not otherwise authorized by law. Any supervisor or county employee who uses the credit card to make an expenditure that is not approved for payment by the board shall be personally liable for the expenditure and shall reimburse the county."*

<b>Condition</b>	<p>During the course of our test work, we noted the following instances of noncompliance with State law:</p> <ul style="list-style-type: none"> <li>• Multiple instances where the county credit card was used to make expenditures for items other than travel</li> <li>• The County's credit card usage policy allows the County Administrator to make expenditures for items other than travel</li> <li>• The Chancery Clerk or Purchase Clerk is not submitting monthly reports of credit card expenditures to the Board for review</li> </ul>
<b>Cause</b>	The County has failed to establish a credit card usage policy that is in compliance with the credit card statute and failed to maintain an adequate internal control system to ensure compliance with the credit card statute as well as the timely submission of monthly credit card expenditure reports.
<b>Effect</b>	The County is not in compliance with the State's credit card purchasing law, and this may result in the misappropriation of public funds.
<b>Recommendation</b>	The Board should ensure that the County's credit card usage policy is in compliance with state law. The Chancery Clerk or Purchase Clerk should ensure that only approved, travel-related expenditures are made on the County's credit cards unless using an approved State Procurement Card. The Purchase Clerk should also ensure that monthly reports of the credit card expenditures are prepared and presented to the Board.
<b>Response</b>	The board adopted a credit card policy on 5/6/2019. The purchase clerk is currently submitting monthly reports to the board.

#### **Purchase Clerk**

#### **2. Public Officials Should Ensure Compliance with State Law over Purchasing Schedules.**

**Repeat Finding** No

**Criteria** *Section 31-7-115, Mississippi Code Annotated (1972)*, states, "The State Auditor, or a certified public accountant employed by the State Auditor, shall, upon the close of the fiscal year of the county, make an audit of the books, records, supporting documents and other data of the county purchase clerk and the inventory control clerk. The Auditor shall review the county's compliance with Section 31-7-13(d), (k) and (m). The audit report shall include a schedule of purchases not made from the lowest bidder under the authority of Section 31-7- 13(d), with the reasons given therefor. The audit report shall include a schedule of emergency purchases made under the authority of Section 31-7-13(k). The audit report shall include a schedule of purchases made noncompetitively from a sole source under the authority of Section 31-7-13(m)...."

**Condition** During the course of our audit, we noted the following instances of noncompliance with State law:

- The Purchase Clerk did not maintain Purchasing Schedules
- The Purchase Clerk incorrectly treated a hot mix purchase from APAC as a sole source purchase. The purchase did not meet the criteria under *Section 31-7-13(m)*.

**Cause** The Purchase Clerk failed to maintain the Purchasing Schedules and improperly treated a transaction as a sole source purchase when it did not meet the criteria established under State law.

<b>Effect</b>	Failure to properly record purchases on the Purchasing Schedules and treating a transaction as a sole source when it does not meet the requirements results in noncompliance with State law and could result in the misappropriation of public funds.
<b>Recommendation</b>	The Board should ensure that the Purchase Clerk properly maintains the Purchasing Schedules. The Board should review scheduled transactions to ensure compliance with State procurement law.
<b>Response</b>	The purchase clerk is currently maintaining the purchase schedules and we will continue to monitor to ensure we are operating under code section 31-7-13.
<b>3.</b>	<u>Public Officials Should Establish and Maintain Internal Control and Compliance with Public Purchasing Laws</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	The County is responsible for complying with the requirements of the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws; Titles 31 and 37.
<b>Condition</b>	<p>The County failed to comply with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37. A well-designed purchasing system would comply with the provisions of Titles 31 and 37 and would include proper bid requirements as well as the use of purchase requisitions, purchase orders, and receiving reports. During our test work, we noted the following instances of non-compliance:</p> <ul style="list-style-type: none"> <li>• Four (4) instances where no competitive bid or second quote was obtained for an expenditure of greater than \$5,000</li> <li>• One (1) instance where no purchasing documentation was able to be located to support the expenditure</li> </ul>
<b>Cause</b>	The County has failed to establish and maintain an adequate internal control system to ensure compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.
<b>Effect</b>	The County is not in compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.
<b>Recommendation</b>	The County should establish and maintain an adequate internal control system which would ensure that the County is in compliance with the State of Mississippi Policies and Procedures with reference to the Public Purchasing Laws: Titles 31 and 37.
<b>Response</b>	Purchase Clerk will scan second quote in our electronic system so that it is available and on file.

#### **Board of Supervisors**

<b>4.</b>	<u>Public Officials Should Ensure Compliance with State law over Cafeteria Plan.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 25-17-9(2), Mississippi Code Annotated (1972), states, "The State Auditor shall compile a list of providers of cafeteria plans which shall contain those providers he deems acceptable to provide benefits or services related to a cafeteria plan of a state agency or local government entity.</i>

*Section 25-17-9 (3), Mississippi Code Annotated (1972)*, states, “Only providers who appear on the most recent list compiled by the State Auditor shall, directly or indirectly, provide benefits included in or administrative services related to cafeteria plans of a state agency or local governmental entity...”

*Attorney General Opinion 1989 WL 503224* interprets the above-referenced statute stating that, without any mention or special exemption, no other agencies or governmental entity may elect to self-administer a cafeteria plan. This recommendation is being provided to those who have previously administered their own plans.

<b>Condition</b>	During a review of the County’s Cafeteria Plan, the auditor noted the County is administering its own cafeteria plan.
<b>Cause</b>	The Board of Supervisors did not ensure that the county’s cafeteria plan provider was on the list approved by the Office of the State Auditor.
<b>Effect</b>	Failure to select a provider from the list of approved providers results in noncompliance with State law and could result in the misappropriation of public funds.
<b>Recommendation</b>	The Board of Supervisors should only choose providers listed on the approved list of cafeteria plan providers.
<b>Response</b>	As of November 2022 we are in compliance with this statute.

**5.**                    Public Officials Should Ensure Compliance with State Law over Publication of Bids for its Depository.

<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 27-105-305, Mississippi Code Annotated (1972)</i> , requires the County to advertise for bids at least every two years for depositories.
<b>Condition</b>	During the course of our test work, we were unable to locate a current approval of any bids for the County depository. Auditors noted that at the 12/18/2017 meeting, bids were taken under advisement, but never approved.
<b>Cause</b>	The Board of Supervisors did not approve the county depository.
<b>Effect</b>	Failure to approve the County’s depository resulted in non-compliance with <i>Mississippi Code Section 27-105-305</i> .
<b>Recommendation</b>	The Board should ensure that it properly adopts the County’s depository at a minimum every two years, as required by State law.
<b>Response</b>	In the current year, bids were taken and approved per MS Code Section 27-105-305.

**6.**                    All Supervisors must Inspect the Roads and Bridges and Attest to the Clerk of the Board for having done so.

<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 65-7-117, Mississippi Code Annotated (1972)</i> , states that, “Each member of the board of supervisors shall inspect every road, bridge and ferry in each district at least annually, at times to be fixed by the board, and shall file with the clerk of the board a report, under oath, of the condition of the several roads, bridges and ferries inspected by him, with such recommendations as are needful, which reports shall be presented to the

board of supervisors and kept on file for three (3) years.”

<b>Condition</b>	During the course of our testing we noted that the Board of Supervisors had inspected the roads and bridges but no certifications on the minutes or affidavits from the supervisors were filed to document that they had examined the roads and bridges annually.
<b>Cause</b>	Annual inspections of the roads and bridges in the County have not been completed and/or attested to having been done.
<b>Effect</b>	Failure to complete annual inspections of roads and bridges and to file an affidavit of said inspection can lead to failure to identify and to complete necessary improvements in a timely manner.
<b>Recommendation</b>	The Board of Supervisors should ensure that they complete the requisite inspections of the roads and bridges in their jurisdiction and file an affidavit with the Clerk of the Board for inclusion in the minutes.
<b>Response</b>	We are currently working with our county engineer to ensure we are in compliance with Section 65-7-117 for annual inspections of roads and bridges.

**7.** Public Officials should Ensure Adequate Separation of Duties.

<b>Repeat Finding</b>	No
<b>Criteria</b>	An effective system of internal control should include adequate separation of duties.
<b>Condition</b>	During the course of our audit, we noted that the Purchase Clerk is also the Accounts Payable Clerk.
<b>Cause</b>	The County's size interferes with the cost-benefit relationship in implementing separation of duties.
<b>Effect</b>	Failure to have adequate separation of duties could result in the loss of public funds due to the possibility of funds being mishandled.
<b>Recommendation</b>	The County should separate duties for the individuals involved in purchasing and accounts payable functions.
<b>Response</b>	We are a small county. The claims docket is reviewed by the County Administrator or designee to ensure internal control is strengthened.

**8.** Public Officials and Employees should ensure compliance with state law over surety bonding requirements.

<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 25-1-15, Mississippi Code Annotated (1972)</i> , states, “A new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee.”
<b>Condition</b>	During the course of our testing we noted the following instances of noncompliance:

- A bond was unable to be located for the Purchase Clerk
- A bond was unable to be located for one (1) Assistant Receiving Clerk
- One (1) Assistant Receiving Clerk had an indefinite bond
- One (1) Deputy Tax Collector, one (1) Deputy Tax Assessor, two (2) Deputy Circuit Clerks, the Sheriff, the Receiving Clerk, and one (1) Deputy Justice Court Clerk had continuation certificates
- One (1) Justice Court Judge, one (1) Deputy Tax Collector, and the Tax Assessor/Collector only had a rider extending the expiration date of their bonds
- Nine (9) Assistant Receiving Clerks were bonded using a blanket bond
- Two (2) Assistant Receiving Clerks were not bonded for the statutorily required amount

<b>Cause</b>	Public Officials and the Board of Supervisors have insufficient control over the requirements for bonding officials and employees.
<b>Effect</b>	Failure to have a bond in place for a specific term could limit the amount available for recovery if a loss occurred over multiple terms, as well as the current terms.
<b>Recommendation</b>	We recommend the Board of Supervisors implement procedures to ensure that County officials' and employees' bonds meet the requirements of State Laws.
<b>Response</b>	The county will ensure that all employee bond requirements are met and that we are in compliance with Code Section 25-1-15.

**9.** Public Officials Should Ensure Compliance with State Law over the Public Depositors Annual Report.

**Repeat Finding** No

**Criteria** *Section 27-105-5(6), Mississippi Code Annotated (1972)*, states, "Public depositors shall comply with the following requirements: a) A public depositor shall ensure that the name of the public depositor and its tax identification number are on the account or certificate provided to the public depositor by the qualified public depository in a manner sufficient to disclose the identity of the public depositor; b) Not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end. A public entity established during the year shall furnish its official name, address and federal tax identification number to the State Treasurer before making any public deposit."

**Condition** The Public Depositors Annual Report was not filed.

**Cause** The Public Depositors Annual Report was not filed by the statutory deadline.

**Effect** Failure to notify the State Treasurer of its official name, address, federal tax identification number, and the balance in its accounts, as of its fiscal year end, increases the risk that the County's total deposits may not be properly collateralized and results in noncompliance with *Section 27-105-5(6)*.

**Recommendation** We recommend the Board implements procedures to ensure that the Public Depositors Annual Report is filed within thirty (30) days following fiscal year end as required by State law.

<b>Response</b>	The Public Depositors Annual Report has been filed for subsequent years.
<b>10.</b>	<u>Public Official should Ensure Compliance with State Law Regarding Executive Sessions.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 25-41-7(3), Mississippi Code Annotated (1972)</i> , states, “(3) An executive session shall be limited to matters allowed to be exempted from open meetings by subsection (4) of this section. The reason for holding an executive session shall be stated in an open meeting, and the reason so stated shall be recorded in the minutes of the meeting. Nothing in this section shall be construed to require that any meeting be closed to the public, nor shall any executive session be used to circumvent or to defeat the purposes of this chapter....”
<b>Condition</b>	<p>During the course of our audit, we noted the following instances of noncompliance:</p> <ul style="list-style-type: none"> <li>• On 5/7/2018, an executive session was held to discuss “Elections”</li> <li>• On 5/21/2018, an executive session was held to discuss “Purchasing and Elections”</li> <li>• On 7/16/2018, an executive session was held to discuss “Preliminary Audit Findings”</li> <li>• On 8/20/2018, an executive session was held to discuss “School Tax Levy, Bid Process for Property, FEMA close out, tornado, and objections to the tax rolls”</li> </ul>
<b>Cause</b>	Public officials went into executive session to discuss topics that were not allowed by statute.
<b>Effect</b>	Failure to adhere to the statute regarding permissible executive session topics results in noncompliance with State law as well as a lack of transparency.
<b>Recommendation</b>	We recommend the Board implement controls to ensure compliance with regard to allowable topics for executive session.
<b>Response</b>	We have notified our attorney to ensure we are in compliance with code section 25-41-7.

#### **Inventory Clerk and Chancery Clerk**

<b>11.</b>	<u>The Inventory Clerk Should Ensure that the Annual Inventory is Completed and Filed with the Clerk of the Board. The Clerk of the Board Should Ensure that the Inventory Report is filed with the State Department of Audit.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 31-7-107, Mississippi Code Annotated (1972)</i> , states, “the inventory control clerk, pursuant to regulations promulgated by the State Auditor, shall perform physical inventories of assets of the county on or before October 1 of each year and shall file with the board of supervisors, in triplicate, a written report of such inventory. The clerk of the board of supervisors shall keep the original of each inventory report so filed by the inventory control clerk as a permanent record of the county and shall forward a copy to the State Department of Audit not later than October 15.”
<b>Condition</b>	During the course of our test work, we noted that the annual inventory had not been conducted and that the report was not kept on hand nor was a report filed with the Office of the State Auditor.

<b>Cause</b>	The Inventory Clerk did not conduct an annual inventory and provide a report of such to the Clerk of the Board. The Clerk of the Board did not maintain a copy of the report on file and did not file a copy with the Office of the State Auditor.
<b>Effect</b>	Failure to properly perform an annual inventory and file evidence of such could result in the misappropriation of the County's fixed assets as well as noncompliance with State law.
<b>Recommendation</b>	The Inventory Clerk should annually perform an inventory of the County's fixed assets and provide a copy to the Clerk of the Board for preservation in the County's records as well as for filing with the Office of the State Auditor. The Clerk of the Board should ensure that the inventory report is filed with his office and then file a copy with the Office of the State Auditor.
<b>Response</b>	In subsequent years the inventory report has been provided per code section 31-7-107.

## Payroll Clerk

12. Public Officials Should Ensure Compliance with State Law over Rehiring PERS Retirees.

**Repeat Finding** No

**Criteria** *Section 25-11-127, Mississippi Code Annotated (1972), states, "No person who is being paid a retirement allowance or a pension after retirement under this article shall be employed or paid for any service by the State of Mississippi, including services as an employee, contract worker, contractual employee or independent contractor, until the retired person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement. After the person has been retired for not less than ninety (90) consecutive days from his or her effective date of retirement or such later date as established by the board, he or she may be reemployed while being paid a retirement allowance under the terms and conditions provided in this section....*

4) The provisions of this section shall not be construed to prohibit any retiree, regardless of age, from being employed and drawing a retirement allowance either:

(a) For a period of time not to exceed one-half ( $\frac{1}{2}$ ) of the normal working days for the position in any fiscal year during which the retiree will receive no more than one-half ( $\frac{1}{2}$ ) of the salary in effect for the position at the time of employment, or

(b) For a period of time in any fiscal year sufficient in length to permit a retiree to earn not in excess of twenty-five percent (25%) of retiree's average compensation.

To determine the normal working days for a position under paragraph (a) of this subsection, the employer shall determine the required number of working days for the position on a full-time basis and the equivalent number of hours representing the full-time position. The retiree then may work up to one-half ( $\frac{1}{2}$ ) of the required number of working days or up to one-half ( $\frac{1}{2}$ ) of the equivalent number of hours and receive up to one-half ( $\frac{1}{2}$ ) of the salary for the position. In the case of employment with multiple employers, the limitation shall equal one-half ( $\frac{1}{2}$ ) of the number of days or hours for a single full-time position.

Notice shall be given in writing to the executive director, setting forth the facts upon which the employment is being made, and the notice shall be given within five (5) days from the date of employment and also from the date of termination of the employment.  
*[Note: This notice is provided on PERS Form 4B and must be executed annually and sent to PERS]*

(6) (a) A member may retire and continue in municipal or county elective office provided

that the member has reached the age and/or service requirement that will not result in a prohibited in-service distribution as defined by the Internal Revenue Service, or a retiree may be elected to a municipal or county office, provided that the person:

(i) Files annually, in writing, in the office of the employer and the office of the executive director of the system before the person takes office or as soon as possible after retirement, a waiver of all salary or compensation and elects to receive in lieu of that salary or compensation a retirement allowance as provided in this section, in which event no salary or compensation shall thereafter be due or payable for those services; however, any such officer or employee may receive, in addition to the retirement allowance, office expense allowance, mileage or travel expense authorized by any statute of the State of Mississippi; or

(ii) Elects to receive compensation for that elective office in an amount not to exceed twenty-five percent (25%) of the retiree's average compensation. In order to receive compensation as allowed in this subparagraph, the retiree shall file annually, in writing, in the office of the employer and the office of the executive director of the system, an election to receive, in addition to a retirement allowance, compensation as allowed in this subparagraph. *[Note: This notice is provided on PERS Form 9C and must be executed annually and sent to PERS]*

(b) The municipality or county in which the retired person holds elective office shall pay to the board the amount of the employer's contributions on the full amount of the regular compensation for the elective office that the retired person holds.

<b>Condition</b>	During the course of our audit, we noted the following: <ul style="list-style-type: none"><li>• Four (4) instances where the PERS forms were not properly executed</li><li>• One (1) instance where an individual was paid in excess of the amount allowed by PERS</li></ul>
<b>Cause</b>	The County did not comply with Section 25-11-127, Mississippi Code Annotated (1972) in that it failed to ensure proper notice to PERS, proper execution of required documents, and proper monitoring of wages to ensure the PERS cap was not exceeded.
<b>Effect</b>	The failure to comply with the reemployment conditions as reported on PERS Form 4B and 9C could jeopardize the provisions for reemployment.
<b>Recommendation</b>	The County should timely and accurately file PERS Form 4Bs and 9Cs for all rehired retirees and ensure that the statutory conditions for reemployment are met.
<b>Response</b>	This has been corrected and the county timely files Forms 4B and 9C.
<b>Sheriff</b>	
<b>13.</b>	<u>The Sheriff Should Ensure Compliance with State Law Regarding the Timely Deposit of Funds.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 25-1-72, Mississippi Code Annotated (1972), states that, "All county officers who receive funds payable into the county treasury shall deposit such funds into the county depository on the day when they are collected or on the next business day thereafter."</i>
<b>Condition</b>	During the course of our test work, we found that seven (7) of the ten (10) deposits were not made in a timely manner with some deposits being held as long as fourteen (14) days prior to being deposited.

<b>Cause</b>	These delays are due to inadequate internal controls surrounding the statutory requirements for depositing of revenue collected in the Sheriff's Office.
<b>Effect</b>	Inadequate controls surrounding the deposits of revenue collections could result in improper revenue recognition and noncompliance with statutory requirements. Failure to implement controls over cash could result in a delay in the timely reconciliation of bank accounts, and settlement of funds to the County.
<b>Recommendation</b>	The Sheriff should ensure that the deposits are being made in a timely manner as prescribed by statute.
<b>Response</b>	The Sheriff department is currently making timely deposits to ensure that they are in compliance with Code Section 25-1-72.
<b>14.</b>	<u>The Sheriff Should Ensure Compliance with State Laws over the Presentation of Meal Logs to the Board of Supervisors.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 19-25-74, Mississippi Code Annotated (1972), states, "The sheriff shall maintain a log, showing the name of each prisoner, the date and time of incarceration and release, to be posted by the tenth calendar day of each month for the period spanning the preceding month, which shall record the number of meals served to prisoners on each day, and shall make affidavit as to the correctness thereof and file the same monthly with the board of supervisors. Such log shall remain on file with the board of supervisors as other records of said board and shall be made available to the State Department of Audit upon request. No claims for the cost or expenses of feeding prisoners shall be approved by the board of supervisors for any month unless and until such log for that month is filed."</i>
<b>Condition</b>	<p>During the course of our test work, we noted that the meal logs were not being presented to the Board yet claims to vendors were being paid.</p> <p>We further noted that the meal logs from prior to June 2018 were lost and were thus not available to the auditor. As such, no conclusion was able to be drawn concerning the cost of meals served.</p>
<b>Cause</b>	The Sheriff did not present the meal logs to the Board of Supervisors. The administration did not properly maintain the meal logs for use by the auditor.
<b>Effect</b>	Failure to properly maintain and present the meal logs could result in the misappropriation of public funds.
<b>Recommendation</b>	The Sheriff should present the meal logs to the Board of Supervisors for review monthly prior to payment of any claims for meal expenses. The logs should also be maintained on hand for audit purposes.
<b>Response</b>	In subsequent years meals logs are being properly recorded on the minutes.
<b>Justice Court Clerk</b>	
<b>15.</b>	<u>Public Officials should Strengthen Internal Controls and Ensure Compliance with State Law over Cash Collections, Receipting, Settlement, Bank Reconciliations, Cash Journal, and Deposits.</u>
<b>Repeat Finding</b>	No

**Criteria**

*Section 9-11-21, Mississippi Code Annotated (1972)*, states, "The clerk of the justice court is required in all cases to give to any person paying him any fees, costs or other money a uniform receipt, the form of which is to be prepared by the attorney general. Such receipt shall contain the particulars of such fees, costs or other money, the amount of such fees, costs or other money and such other information as the attorney general shall deem necessary...."

*Section 9-11-19(1), Mississippi Code Annotated (1972)*, states, "It shall be the duty of every clerk of the justice court to receive and account for all fees, costs, fines and penalties charged and collected in the justice court, and, monthly to report in writing under oath, to the clerk of the board of supervisors who shall upon receipt submit such report to the board of supervisors of all such fees, costs, fines and penalties received, including cash bonds and other monies which have been forfeited in criminal cases and at least semiannually any delinquent fines and penalties, giving the date, amount, and names of persons from whom such monies were received, and to pay so much thereof as shall have been received to the clerk of the board of supervisors for deposit into the general fund of the county. Any clerk of the justice court who shall fail to make such report or to pay the money so received shall, in addition to any other fine or punishment provided by law for such conduct, not be entitled to compensation for the period of time during which such report or money is outstanding...."

*Section 7-7-211(j), Mississippi Code Annotated (1972)*, states, "In any instances in which the State Auditor is or shall be authorized or required to examine or audit, whether preaudit or postaudit, any books, ledgers, accounts or other records of the affairs of any public hospital owned or owned and operated by one or more political subdivisions or parts thereof or any combination thereof, or any school district, including activity funds thereof, it shall be sufficient compliance therewith, in the discretion of the State Auditor, that such examination or audit be made from the report of any audit or other examination certified by a certified public accountant and prepared by or under the supervision of such certified public accountant...."

*Section 25-1-72, Mississippi Code Annotated (1972)*, states, "All county officers who receive funds payable into the county treasury shall deposit such funds into the county depository on the day when they are collected or on the next business day thereafter."

*Section 27-105-371, Mississippi Code Annotated (1972)*, states, "All county officials who receive funds under the authority of their office shall deposit such funds into a county depository. Any unidentifiable funds found by the county auditor or the State Auditor in the county depository shall be settled into the general fund of the county within thirty (30) days of the determination."

**Condition**

During the course of our audit, we noted the following:

- Cash journal balances were not carried forward from month to month
- Bank statements were missing
- Bank statement were not reconciled monthly
- Accounts receivable records were not maintained
- Deposits were missing
- Daily check up and sheets and cash journal were missing
- Criminal and civil receipt books for the period were unable to be located
- Deposits did not appear to be made daily

- The cash bond/clearing Account had \$18,784.23 in unidentified funds

<b>Cause</b>	The Justice Court Clerk failed to comply with State laws and regulations. The Clerk's Office had inadequate internal controls surrounding cash.
<b>Effect</b>	Failure of the Justice Court Clerk to have adequate internal controls resulted in multiple violations of State laws and regulations, which could also result in the misappropriation of public funds.
<b>Recommendation</b>	The Justice Court Clerk should establish internal controls surrounding cash collection to ensure compliance with State law.
<b>Response</b>	The Justice Court Clerk was terminated on March 20, 2020 and a new clerk was hired. The current Justice Court Clerk has established internal controls to ensure compliance with State law.

#### Chancery Clerk

<b>16.</b>	<u>The Clerk of the Board should ensure publication of the synopsis of the county audit report.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 7-7-221, Mississippi Code Annotated (1972), states that, "as soon as possible after an annual audit of the fiscal and financial affairs of a county...has been made and a copy of such report of audit or examination has been filed with the board of supervisors of such county and the clerk thereof, as required in Section 7-7-215, the clerk of the board of supervisors shall publish a synopsis of such report in a form prescribed by the State Auditor.... (4) The clerk shall forward a copy of the published synopsis to the State Auditor within sixty (60) days of its publication."</i>
<b>Condition</b>	During the course of our audit, we noted that the synopsis of the prior year audit report had not been published.
<b>Cause</b>	The Clerk of the Board did not ensure that the synopsis of the prior year audit was published.
<b>Effect</b>	Failure to publish a synopsis of the audit report results in noncompliance with state statutes as well as a lack of transparency with regard to the audit report and notification to the public.
<b>Recommendation</b>	The Clerk of the Board should ensure that the synopsis is published in the proper format, as prescribed by statute and the Office of the State Auditor.
<b>Response</b>	The synopsis for the prior year audit was received in January 2022 and will be published in the proper format.
<b>17.</b>	<u>The Chancery Clerk Should Ensure Compliance with State Laws over Statutorily Imposed Limits on the Salaries Received for Various Duties.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Sections 25-7-9(1)(f) and 27-105-343, Mississippi Code Annotated (1972), state for the various duties of the Chancery Clerk, the following amounts shall be paid:</i> <ul style="list-style-type: none"> <li>• Attending Board Meetings: "(e) For each day's attendance on the board of supervisors,</li> </ul>

for himself and one (1) deputy, each \$20.00.”

- County Treasurer: “Boards of supervisors shall allow chancery clerks for their compensation for performance of the duties required of them by this section the sum of Two Thousand Five Hundred Dollars (\$2,500.00) per annum.”

<b>Condition</b>	<p>During the course of our test work, we noted that the Chancery Clerk received the following amounts in excess of the statutorily allowed amounts:</p> <ul style="list-style-type: none"><li>• Attending Board Meetings: \$280.00</li><li>• County Treasurer: \$447.33</li></ul> <p><b>Auditor’s Note:</b> For County Treasurer, the Chancery Clerk billed the County consistently for this statutory fee, but one payment was made in excess of the amount billed, which caused the overpayment.</p> <p>The total paid in excess is equal to \$727.33.</p>
<b>Cause</b>	The Chancery Clerk did not properly determine his compensation for attending board meetings. The County incorrectly paid the Clerk amounts that were not actually billed.
<b>Effect</b>	The Chancery Clerk was paid in excess of the statutorily allowed amounts for services rendered.
<b>Recommendation</b>	The Chancery Clerk should ensure that the amounts paid are in compliance with the applicable statutes and correctly determined from the amounts billed. Further, it is recommended that the Chancery Clerk repay the County the \$727.33 paid in excess.
<b>Response</b>	A check in the amount of \$727.33 was submitted to the board of supervisors on 10/10/2023.

18. Public Officials should strengthen internal controls over bank reconciliations of the Land Redemption account.

<b>Repeat Finding</b>	No
<b>Criteria</b>	An effective system of internal control requires bank reconciliations be prepared accurately and timely and any identified unreconciled differences be resolved in a timely manner.
<b>Condition</b>	During the course of our cash count, we noted an unidentified overage of \$29,987.03.
<b>Cause</b>	The system of internal control failed to ensure that a timely and accurate bank reconciliation was performed for the land redemption account.
<b>Effect</b>	Failure to complete an accurate and timely bank reconciliation results in a weakness in the system of internal control over cash.
<b>Recommendation</b>	The Clerk should establish and maintain an effective internal control system over cash and ensure that all bank reconciliations are prepared timely and accurately.
<b>Response</b>	The Clerk will ensure that bank reconciliations are prepared timely and accurately.

#### Circuit Clerk

19. Public Officials should Ensure Compliance with State Law over Maintaining a Fee

Journal.

**Repeat Finding**

No

**Criteria**

*Section 9-1-43(3), Mississippi Code Annotated (1972)*, states, "The Circuit Clerk shall be liable on their official bond for the proper deposit and accounting of all monies received by his office. The State Auditor shall promulgate uniform accounting methods for the accounting of all sources of income by the offices of the Chancery and Circuit Clerk."

**Condition**

The Circuit Clerk did not properly maintain the fee journal to account for all monies received and expended during the year. We were unable to tie out all amounts of income and expenses reported on the Annual Financial Report.

Auditors also noted that the following amounts were not properly included in the fee journal and thus not properly included on the Annual Financial Report:

- For Setting Up/Programming Voting Machines for \$2,205.00
- For Grand Jury Docket for \$700.00

**Cause**

The Circuit Clerk did not properly maintain a fee journal during the year that was reconciled to her fee account, and all receipts and expenses were not properly recorded to match the balances reported on the Annual Financial Report.

**Effect**

Failure to maintain an accurate fee journal could result in the loss or misappropriation of public funds.

**Recommendation**

The Circuit Clerk should maintain an accurate and complete accounting system that encompasses all income and expenses.

**Response**

I will comply, payments listed on my Payroll Sheets but left off Fee Journal.

**20.**

Public Officials should Ensure Compliance with State Law over Expenses Claimed.

**Repeat Finding**

No

**Criteria**

*Section 9-1-43(3), Mississippi Code Annotated (1972)*, further states, "(1) After making deductions for employer contributions paid by the chancery or circuit clerk to the Public Employees' Retirement System under *Sections 25-11-106.1* and *25-11-123(f)(4)*, employee salaries and related salary expenses, and expenses allowed as deductions by Schedule C of the Internal Revenue Code, no office of the chancery clerk or circuit clerk of any county in the state shall receive fees as compensation for the chancery clerk's or circuit clerk's services in excess of Ninety Thousand Dollars (\$90,000.00)."

**Condition**

The Circuit Clerk did not maintain proper supporting documentation to support all expenses claimed.

During the course of our audit, we noted that no supporting documentation was provided for the following expenses claimed:

- Roy Bell for Heating and Cooling for \$90.00
- Dillard's for an Unknown Item for \$70.00

We also noted that the following items claimed were not allowable expenses:

- Beth's Flowers and Gifts for Flowers for the Church for \$133.75

- Enterprise for a Vehicle Rental for \$382.00
- Kathy's Alterations for Alterations to Sleeves for \$50.00 (amount paid and claimed)
  - o **Auditor's Note:** The invoice is for \$30.00

<b>Cause</b>	The Circuit Clerk did not maintain the necessary documentation to support that all expenses claimed were Schedule C deductions. The Circuit Clerk claimed expenses that are not allowable.
<b>Effect</b>	Failure to maintain all necessary supporting documentation for expenses and claiming expenses that are not allowable could result in the loss or misappropriation of public funds.
<b>Recommendation</b>	The Circuit Clerk should maintain support for all expenses claimed on the AFR and that the Clerk only claim expenses allowable under Schedule C.
<b>Response</b>	I will comply.

**21.** Public Officials Should Ensure Compliance with State Laws over Statutorily Imposed Limits on the Salary as County Registrar.

<b>Repeat Finding</b>	No
<b>Criteria</b>	<i>Section 23-15-225, Mississippi Code Annotated (1972), states, "The registrar shall be entitled to such compensation, payable monthly out of the county treasury, which the board of supervisors of the county shall allow on an annual basis in the following amounts.... (f) For counties with a total population of more than fifteen thousand (15,000) and not more than twenty-five thousand (25,000), an amount not to exceed Sixteen Thousand One Hundred Dollars (\$16,100.00), but not less than Nine Thousand Two Hundred Dollars (\$9,200.00)."</i>
<b>Condition</b>	<p>During the course of our test work, we noted that the Circuit Clerk received a total of \$17,118.40 for services as the County Registrar. This resulted in an excess of \$1,018.40 paid to the Clerk.</p> <p><b>Auditor's Note:</b> The Clerk billed the County consistently for this statutory fee, but two payments were made in excess of the amount billed, which caused the overpayment.</p>
<b>Cause</b>	The County paid the Clerk amounts in excess of the amounts billed for this statutory fee.
<b>Effect</b>	The Circuit Clerk was overpaid as the County Registrar.
<b>Recommendation</b>	The Circuit Clerk should ensure that the amounts received for payment as the County Registrar are for the correct amounts. Further, it is recommended that the Circuit Clerk repay the County the \$1,018.40 paid in excess.
<b>Response</b>	I will comply – I submitted 1102.08 x 12 months. January through December 2018, in October and November Holmes Co. paid over what was submitted.

**22.** Public Officials Should Strengthen Internal Controls over Deposits, Settlements, and Receipts.

<b>Repeat Finding</b>	No
<b>Criteria</b>	An effective system of internal controls requires that bank deposits and settlements be made timely.

<b>Condition</b>	<p>During the course of our test work, auditors noted the following:</p> <ul style="list-style-type: none"> <li>• Eighteen (18) of the twenty (20) items tested were not deposited timely with some deposits being held for over a month from the date of receipt</li> <li>• Eighteen (18) of the twenty (20) items tested were not timely settled to the appropriate parties</li> </ul>
<b>Cause</b>	The Circuit Clerk has not established a system of internal control to ensure deposits and settlements are made timely.
<b>Effect</b>	Failure to make timely deposits and settlements could result in the loss or misappropriation of public funds.
<b>Recommendation</b>	The Circuit Clerk should implement an effective internal control system to ensure the timeliness of deposits and settlements.
<b>Response</b>	I will comply. Out on extended leave with my brother at Select Long Term Care in Jackson. Carbon Monoxide Poison.

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

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

*Bridgers, Goodman, Baird & Clarke, PLLC*

Bridgers, Goodman, Baird & Clarke, PLLC  
 Certified Public Accountants  
 Vicksburg, MS  
 October 16, 2023

## HOLMES COUNTY

### SCHEDULE OF FINDINGS AND RESPONSES

HOLMES COUNTY  
Schedule of Findings and Responses  
For the Year Ended September 30, 2018

Section 1: Summary of Auditor's Results

Financial Statements:

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified    |
| 2. | Internal control over financial reporting:                   |               |
|    | a. Material weakness(es) identified?                         | No            |
|    | b. Significant deficiency(ies) identified?                   | None reported |
| 3. | Noncompliance material to the financial statements noted?    | No            |

Section 2: Financial Statement Findings

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