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HOLMES COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2019



HOLMES COUNTY
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HOLMES COUNTY

FINANCIAL SECTION

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GOVERNMENT AUDIT QUALITY CENTER

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, 2019, 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, 2019, 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 Management's Discussion and Analysis, 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 August 2, 2024 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, Mississippi
August 2, 2024

HOLMES COUNTY

FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 9,334,257	5,456	9,339,713
Investments		1,779,159	1,779,159
Property tax receivable	6,729,500		6,729,500
Fines receivable (net of allowance for uncollectibles of \$1,013,289)	421,893		421,893
Advances to agency fund	533,193		533,193
Capital leases receivable	219,619		219,619
Intergovernmental receivables	314,846	228,688	543,534
Other receivables	1,566,337		1,566,337
Internal balances	994,469	(994,469)	0
Capital assets:			
Land and construction in progress	990,755	120,000	1,110,755
Other capital assets, net	22,487,832	3,483,394	25,971,226
Total Assets	<u>43,592,701</u>	<u>4,622,228</u>	<u>48,214,929</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	442,304	166,613	608,917
Total Deferred Outflows of Resources	<u>442,304</u>	<u>166,613</u>	<u>608,917</u>
LIABILITIES			
Claims payable	304,472	105,267	409,739
Intergovernmental payables	153,061	193	153,254
Accrued interest payable	17,552	3,958	21,510
Amounts held in custody for others	89,139		89,139
Long-term liabilities			
Net pension liability	9,115,074	2,802,081	11,917,155
Due within one year:			
Capital debt	1,372,020	475,000	1,847,020
Non-capital debt	361,085		361,085
Due in more than one year:			
Capital debt	2,764,820		2,764,820
Non-capital debt	2,179,766		2,179,766
Total Liabilities	<u>16,356,989</u>	<u>3,386,499</u>	<u>19,743,488</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	106,836	33,604	140,440
Deferred revenue - interest on leases	18,855		18,855
Deferred revenues - property taxes	6,729,500		6,729,500
Total Deferred Inflows of Resources	<u>6,855,191</u>	<u>33,604</u>	<u>6,888,795</u>
NET POSITION			
Net investment in capital assets	19,341,747	3,128,394	22,470,141
Restricted for:			
Expendable:			
General government	77,301		77,301
Public safety	725,174		725,174
Public works	2,076,870		2,076,870
Health and welfare	28,896		28,896
Economic development and assistance	1,294,624		1,294,624
Unemployment compensation	20,000		20,000
Debt service	1,035,258	447,814	1,483,072
Nonexpendable	994,469		994,469
Unrestricted	(4,771,514)	(2,207,470)	(6,978,984)
Total Net Position	<u>\$ 20,822,825</u>	<u>1,368,738</u>	<u>22,191,563</u>

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

HOLMES COUNTY
Statement of Activities
For the Year Ended September 30, 2019

Exhibit 2

Program Revenues					Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,017,361	336,280	329,824	312,233	(3,039,024)		(3,039,024)
Public safety	1,929,635	178,272	115,490	15,000	(1,620,873)		(1,620,873)
Public works	5,136,671	9,045	206,017	1,221,053	(3,700,556)		(3,700,556)
Health and welfare	366,343		46,115		(320,228)		(320,228)
Conservation of natural resources	98,207				(98,207)		(98,207)
Economic development and assistance	206,918				(206,918)		(206,918)
Interest on long-term debt	229,312				(229,312)		(229,312)
Pension expense	1,064,136				(1,064,136)		(1,064,136)
Total Governmental Activities	13,048,583	523,597	697,446	1,548,286	(10,279,254)		(10,279,254)
Business-type activities:							
Regional Correctional Facility	2,816,583	2,649,952	8,645			(157,986)	(157,986)
Total Business-type Activities	2,816,583	2,649,952	8,645	0		(157,986)	(157,986)
Total Primary Government	\$ 15,865,166	3,173,549	706,091	1,548,286	(10,279,254)	(157,986)	(10,437,240)
General revenues:							
Property taxes					\$ 8,371,808		8,371,808
Road & bridge privilege taxes					205,608		205,608
Grants and contributions not restricted to specific programs					1,001,500		1,001,500
Unrestricted interest income					388,817	29,906	418,723
Miscellaneous					291,061	58,527	349,588
Total General Revenues					10,258,794	88,433	10,347,227
Changes in Net Position					(20,460)	(69,553)	(90,013)
Net Position - Beginning					20,843,285	1,438,291	22,281,576
Net Position - Ending					\$ 20,822,825	1,368,738	22,191,563

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

HOLMES COUNTY
Balance Sheet - Governmental Funds
September 30, 2019

Exhibit 3

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
ASSETS			
Cash	\$ 4,152,140	5,182,117	9,334,257
Property tax receivable	4,196,000	2,533,500	6,729,500
Fines receivable (net of allowance for uncollectibles of \$1,013,289)	421,893		421,893
Capital lease receivable		219,619	219,619
Intergovernmental receivables	135,600	179,246	314,846
Other receivables	1,548,981	17,356	1,566,337
Due from other funds	2,111,489	123,207	2,234,696
Advances to other funds	533,193		533,193
Total Assets	\$ 13,099,296	8,255,045	21,354,341
LIABILITIES			
Liabilities:			
Claims payable	\$ 130,535	173,937	304,472
Intergovernmental payables	151,312	1,749	153,061
Due to other funds	55,297	1,184,930	1,240,227
Amounts held in custody for others	78,415	10,724	89,139
Total Liabilities	\$ 415,559	1,371,340	1,786,899
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	4,196,000	2,533,500	6,729,500
Unavailable revenue - capital lease		219,619	219,619
Unavailable revenue - fines	421,893		421,893
Total Deferred Inflows of Resources	\$ 4,617,893	2,753,119	7,371,012
Fund balances:			
Nonspendable:			
Advances	994,469		994,469
Restricted for:			
General government		77,301	77,301
Public safety		725,174	725,174
Public works		2,076,870	2,076,870
Health and welfare		28,896	28,896
Economic development and assistance		1,294,624	1,294,624
Debt service		1,052,810	1,052,810
Unemployment compensation		20,000	20,000
Unassigned	7,071,375	(1,145,089)	5,926,286
Total Fund Balances	\$ 8,065,844	4,130,586	12,196,430
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,099,296	8,255,045	21,354,341

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, 2019

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,196,430
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 \$12,744,597.	23,478,587
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	421,893
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,677,691)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(9,115,074)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(17,552)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	200,764
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	442,304
Deferred inflows of resources related to pensions	<u>(106,836)</u>
Total Net Position - Governmental Activities	\$ <u>20,822,825</u>

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

HOLMES COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2019

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 5,138,935	3,232,873	8,371,808
Road and bridge privilege taxes		205,608	205,608
Licenses, commissions and other revenue	143,634	29,952	173,586
Fines and forfeitures	152,419		152,419
Intergovernmental revenues	667,458	2,579,774	3,247,232
Charges for services	63,391	153,831	217,222
Interest income	381,133	7,684	388,817
Miscellaneous revenues	163,016	126,197	289,213
Total Revenues	6,709,986	6,335,919	13,045,905
EXPENDITURES			
Current:			
General government	3,411,341	740,854	4,152,195
Public safety	1,712,838	320,791	2,033,629
Public works	11,356	5,879,433	5,890,789
Health and welfare	335,608		335,608
Conservation of natural resources	99,142	177,000	276,142
Economic development and assistance	162,226	44,692	206,918
Debt service:			
Principal		1,274,637	1,274,637
Interest		231,640	231,640
Total Expenditures	5,732,511	8,669,047	14,401,558
Excess of Revenues over (under) Expenditures	977,475	(2,333,128)	(1,355,653)
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		408,405	408,405
Proceeds from sale of capital assets		13,000	13,000
Transfers in		1,005,032	1,005,032
Transfers out	(1,005,032)		(1,005,032)
Lease principal payments		31,970	31,970
Total Other Financing Sources and Uses	(1,005,032)	1,458,407	453,375
Net Changes in Fund Balances	(27,557)	(874,721)	(902,278)
Fund Balances - Beginning	8,093,401	5,005,307	13,098,708
Fund Balances - Ending	\$ 8,065,844	4,130,586	12,196,430

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, 2019

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (902,278)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,719,265 exceeded depreciation of \$1,154,773 in the current period.	564,492
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 \$1,848 and the proceeds from the sale of \$13,000 in the current period.	(11,152)
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.	(19,630)
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 \$1,274,637 exceeded debt proceeds of \$408,405.	866,232
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	2,328
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.	(31,970)
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	(1,064,136)
Recording of contributions made during the year	<u>575,654</u>
Change in Net Position of Governmental Activities	\$ <u><u>(20,460)</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, 2019

Exhibit 5

		Business-type Activities - Enterprise Fund
		Holmes-Humphreys Regional Correctional Facility Fund
ASSETS		
Current assets:		
Cash	\$	5,456
Investments - restricted		1,779,159
Intergovernmental receivables		228,688
Total Current Assets		2,013,303
Noncurrent assets:		
Capital assets:		
Land and construction in progress		120,000
Other capital assets, net		3,483,394
Total Noncurrent Assets		3,603,394
Total Assets		5,616,697
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		166,613
Total Deferred Outflows of Resources		166,613
LIABILITIES		
Current liabilities:		
Claims payable		105,267
Intergovernmental payables		193
Due to other funds		994,469
Advances from other funds		
Accrued interest payable		3,958
Capital debt:		
Limited obligation bonds payable		475,000
Total Current Liabilities		1,578,887
Noncurrent liabilities:		
Net pension liability		2,802,081
Total Noncurrent Liabilities		2,802,081
Total Liabilities		4,380,968
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		33,604
Total Deferred Inflows of Resources		33,604
NET POSITION		
Net investment in capital assets		3,128,394
Restricted for:		
Debt service		447,814
Unrestricted		(2,207,470)
Total Net Position	\$	1,368,738

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, 2019

	Business-type Activities - Enterprise Fund Holmes-Humphreys Regional Correctional Facility Fund
Operating Revenues	
Charges for services	\$ 2,649,952
Operating grants	8,645
Miscellaneous	58,527
Total Operating Revenues	<u>2,717,124</u>
Operating Expenses	
Personal services	1,452,957
Contractual services	351,320
Materials and supplies	537,051
Depreciation expense	112,660
Indirect administrative cost	49,492
Pension expense	284,237
Total Operating Expenses	<u>2,787,717</u>
Operating Income (Loss)	<u>(70,593)</u>
Nonoperating Revenues (Expenses)	
Interest income	29,906
Interest expense	(28,866)
Net Nonoperating Revenue (Expenses)	<u>1,040</u>
Changes in Net Position	<u>(69,553)</u>
Net Position - Beginning	<u>1,438,291</u>
Net Position - Ending	<u>\$ 1,368,738</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, 2019

Exhibit 7

		Business-type Activities - Enterprise Fund
		Holmes-Humphreys Regional Correctional Facility Fund
Cash Flows From Operating Activities		
Receipts from customers	\$	2,604,312
Payments to suppliers		(885,889)
Payments to employees		(1,602,834)
Payments to General Fund for indirect costs		(49,492)
Other operating cash receipts		69,692
Net Cash Provided (Used) by Operating Activities		135,789
Cash Flows From Capital and Related Financing Activities		
Intergovernmental loans received		411,392
Principal paid on long-term debt		(460,000)
Interest paid on debt		(32,700)
Net Cash Provided (Used) by Capital and Related Financing Activities		(81,308)
Cash Flows From Investing Activities		
Proceeds from sale and maturities of investments		(84,387)
Interest and dividends on investments		29,906
Net Cash Provided (Used) by Investing Activities		(54,481)
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)	\$	(70,593)
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		(43,120)
(Increase) decrease in deferred outflows of resources		79,933
Increase (decrease) in claims payable		6,144
Increase (decrease) in deferred inflows of resources		(31,450)
Increase (decrease) in pension liability		82,022
Increase (decrease) in intergovernmental payables		193
Total Adjustments		206,382
Net Cash Provided (Used) by Operating Activities	\$	135,789

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

HOLMES COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2019

Exhibit 8

		Agency Funds
<hr/>		
ASSETS		
Cash	\$	713,419
Total Assets	\$	<u>713,419</u>
LIABILITIES		
Amounts held in custody for others	\$	18,928
Intergovernmental payables		161,298
Advances from other funds		533,193
Total Liabilities	\$	<u>713,419</u>

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

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

(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 unit(s) 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.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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 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.

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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. 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 proceeds of the County's enterprise fund revenue bonds, as well as certain resources set aside for

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The “capitalized interest” account is funded by bank bond proceeds and is used to pay the related interest due on revenue bonds prior to the completion of construction of the project. The “debt service reserve” account is used to report resources set aside to subsidize potential deficiencies from the County’s operation that could adversely affect debt service payments. The “project fund” account is used to report those proceeds of revenue bonds issuances that are restricted for use in construction. The “startup costs” account is used to report resources set aside to provide funds required to fund startup costs associated with the project. The “bond issuance expense” account is used to segregate resources set aside to pay bond issue cost. When both restricted and nonrestricted assets are available for use, the policy is to use the restricted assets first.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets 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 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	*	*

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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

J. Deferred Outflows/Inflows of Resources:

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

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

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

Deferred revenues – property taxes/unavailable revenue – 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 9 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 the receivable relates to future periods.

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.

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

report a negative unassigned fund balance.

Fund Balance Flow Assumption:

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

N. Property Tax Revenues:

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

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and 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. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The provisions of this standard has been incorporated into the financial statements and notes.

(2) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$10,053,132, and the bank balance was \$10,699,985. 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

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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, 2019, are as follows:

Business-type Activities:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	Less than One Year	\$ 1,779,159	AAAm
Total		<u>\$ 1,779,159</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 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 of the County's investments are uninsured and unregistered. The investment in the Hancock Horizon Treasury Securities Money Market Fund is not backed by the full faith and credit of the federal government.

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

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2019:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 1,117,020
General	HHRCF	994,469
Other Governmental Funds	General	55,297
Other Governmental Funds	Other Governmental Funds	<u>67,910</u>
Total		\$ <u><u>2,234,696</u></u>

The receivables represent the tax revenue collected in September 2019, but not settled until October, 2019, monies paid to fund projects until grant proceeds are received and to cover 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	Agency Fund	\$ <u><u>533,193</u></u>
Total		\$ <u><u>533,193</u></u>

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General	\$ <u><u>1,005,032</u></u>
Total		\$ <u><u>1,005,032</u></u>

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

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2019, consisted of the following:

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 72,716
Timber severance tax	916
Reimbursement for city garbage pickup	469
Reimbursement for litter pickup	19,873
Welfare reimbursement	6,950
MS Dept. of Health - VOCA	66,442
Drug Court	30,538
Youth Court	988
Reimbursement for law library	2,826
School resource officers	31,898
Motor vehicle fuel tax	64,647
Motor vehicle license	12,466
Heavy duty truck tax	1,577
Triad reimbursement	1,600
Tax forfeit land fee	940
Total Governmental Activities	\$ 314,846
Business-Type Activities	
Reimbursement for housing inmates	\$ 228,688
Total Business-Type Activities	\$ 228,688

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2019:

Governmental activities:

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments*	Balance Sept. 30, 2019
Non-depreciable capital assets					
Land	\$ 364,991	16,000			380,991
Construction in progress	34,075	1,221,052		(645,363)	609,764
Total non-depreciable capital assets	399,066	1,237,052	0	(645,363)	990,755
Depreciable capital assets					
Infrastructure	17,699,510			645,363	18,344,873
Buildings	7,077,796	173,000			7,250,796
Mobile equipment	5,502,023	243,351	39,829	155,831	5,861,376
Furniture and equipment	791,353	7,457		178,463	977,273
Leased property under capital leases	3,074,000	58,405		(334,294)	2,798,111
Total depreciable capital assets	34,144,682	482,213	39,829	645,363	35,232,429

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments*	Balance Sept. 30, 2019
<u>Less accumulated depreciation for:</u>					
Infrastructure	3,377,230	438,368			3,815,598
Buildings	2,219,957	118,679			2,338,636
Mobile equipment	4,125,874	287,609	28,677	114,661	4,499,467
Furniture and equipment	613,925	58,283		160,617	832,825
Leased property under capital leases	1,281,515	251,834		(275,278)	1,258,071
Total accumulated depreciation	11,618,501	1,154,773	28,677	-	12,744,597
Total depreciable capital assets, net	22,526,181	(672,560)	11,152	645,363	22,487,832
Governmental activities capital assets, net	\$ 22,925,247	564,492	11,152	0	23,478,587

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

Business-type activities:

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments	Balance Sept. 30, 2019
<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

Less accumulated depreciation for:

Buildings	1,793,938	106,678	-	-	1,900,616
Improvements other than buildings	16,268	1,627	-	-	17,895
Mobile equipment	128,820	1,080	-	-	129,900
Furniture and equipment	66,320	3,275	-	-	69,595
Total accumulated depreciation	2,005,346	112,660	-	-	2,118,006
Total depreciable capital assets, net	3,596,054	(112,660)	-	-	3,483,394
Business-type activities capital assets, net	\$ 3,716,054	(112,660)	-	-	3,603,394

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 156,849
Public safety	46,614
Public works	908,221
Health and welfare	39,629
Conservation of natural resources	3,460
Total governmental activities depreciation expense	\$ 1,154,773

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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

Commitments with respect to unfinished capital projects at September 30, 2019, 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
Thorton-Tolarsville Bridge	Undetermined	Undetermined
Pierce Bridge	Undetermined	Undetermined
Long Branch Road	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, 2019, to January 1, 2020. 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, 2019:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

30, 2019, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 28,818	4,734
2021	31,788	4,815
2022	32,755	3,848
2023	33,751	2,852
2024	34,778	1,825
2025-2028	38,874	781
Total	\$ 200,764	18,855

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2019:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,798,111
Less: Accumulated depreciation	1,258,071
Leased Property Under Capital Leases	1,540,040

The following is a schedule by years of the total payments due as of September 30, 2019:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
	<u>Principal</u> <u>Interest</u>
2020	\$ 968,020 22,925
2021	290,782 8,020
2022	90,435 2,022
2023	12,537 295
2024	1,066 3
Total	\$ 1,362,840 33,265

(8) Long-term Debt.

Debt outstanding as of September 30, 2019, consisted of the following:

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

Description and Purpose		Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:				
A.	General Obligation Bonds:			
	County Building Bond	\$ 1,120,000	3.75/5.125%	09/2028
	County Road and Building	945,000	3.10/4.25%	08/2025
	District 4 Road and Bridge	265,000	2.30/3.20%	08/2023
	District 2 R&B, Series 2014	134,000	1.90%	09/2024
	District 3 R&B, Series 2014	107,000	1.90%	09/2024
	Countywide Road Bond, Series 2017	2,065,000	3.35%	03/2027
	District 4 R&B, Series 2019	203,000	2.34%	04/2024
	Total General Obligation Bonds:	\$ 4,839,000		
B.	Capital Leases:			
	Case Extindahoe	\$ 5,258	2.27%	04/2020
	2 Garbage Trucks	180,125	1.96%	05/2020
	2012 Volvo motor grader	63,746	2.24%	12/2019
	2012 Volvo motor grader	74,156	2.43%	01/2021
	3 Western Star trucks	278,108	2.09%	01/2020
	3 Western Star dump trucks	267,395	2.34%	03/2020
	2012 Volvo motor grader	72,562	2.43%	01/2021
	Caterpillar motor grader	73,503	2.55%	09/2021
	Kubota tractor	21,508	2.25%	10/2021
	John Deere 6135E tractor	37,939	2.64%	07/2022
	Case backhoe	37,819	2.64%	07/2022
	2 Mack trucks	85,967	3.54%	05/2022
	JD Utility Tractor 5100E	17,168	3.59%	05/2021
	John Deere tractor	47,586	3.77%	10/2023
	2 motor graders	100,000	3.85%	09/2025
	Total Capital Leases	\$ 1,362,840		
C.	Other Loans			
	Capital Improvement Loan	\$ 200,352	3.00%	11/2025
	2016 District 5 Road	61,866	2.15%	09/2021
	District 3 G.O. Note	122,076	1.75%	07/2022
	District 4 G.O. Note	91,557	1.75%	07/2022
	Total Other Loans	\$ 475,851		
Business-type Activities				
A.	Limited Obligation Bonds:			
	Urban renewal revenue bonds	* 475,000	3.00/4.00%	06/2020
	Total Limited Obligation Bonds	\$ 475,000		

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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

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

Governmental Activities:

Year Ended September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2020	\$ 634,000	155,426	131,085	10,920
2021	657,000	135,112	134,141	8,090
2022	674,000	113,727	105,125	5,197
2023	708,000	91,512	33,667	2,936
2024	601,000	68,047	34,691	1,912
2025-2029	1,565,000	98,529	37,142	902
Total	\$ 4,839,000	662,353	475,851	29,957

Business-type Activities:

Year Ended September 30,	Limited Obligation Bonds	
	Principal	Interest
2020	\$ 475,000	9,500
Total	\$ 475,000	9,500

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2019, the amount of outstanding debt was equal to 4.1% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

		Balance Oct. 1, 2018	Additions	Reductions	Adjustments	Balance Sept.30, 2019	Amount due within one year
Governmental Activities:							
General obligation bonds	\$	5,249,000	250,000	660,000		4,839,000	634,000
Capital leases		1,660,279	158,405	455,844		1,362,840	968,020
Other loans		634,644		158,793		475,851	131,085
Total	\$	7,543,923	408,405	1,274,637	0	6,677,691	1,733,105

		Balance Oct. 1, 2018	Additions	Reductions	Adjustments	Balance Sept.30, 2019	Amount due within one year
Business-Type Activities							
Limited obligation bonds	\$	935,000		460,000		475,000	475,000
Total	\$	935,000	0	460,000	0	475,000	475,000

(9) 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, 2019, 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, 2019

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

was 17.40% of annual covered payroll. This rate increased as of July 1, 2019 from 15.75%. 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, 2019, 2018 and 2017 were \$729,386, \$698,273 and \$665,481, 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, 2019, the County reported a liability of \$11,917,155 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2019 net pension liability was 0.067742 percent, which was based on a measurement date of June 30, 2019. This was a decrease of 0.001567 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the County recognized pension expense of \$1,348,373. At September 30, 2019, 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	\$ 7,213	12,071
Net difference between projected and actual earnings on pension plan investments	-	
Changes of assumptions	116,732	128,369
Changes in the proportion and differences between actual contributions and proportionate share of contributions	285,364	-
Contributions subsequent to the measurement date	199,608	-
	<u>\$ 608,917</u>	<u>140,440</u>

\$199,608 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, 2020. 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
2020	\$ 250,756
2021	(15,546)
2022	(20,749)
2023	54,408
Total	<u>\$ 268,869</u>

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation 2.75 percent

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.90
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 15,665,512	11,917,155	8,823,221

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2019:

<u>Fund</u>	<u>Deficit Amount</u>
FEMA Federal Disaster	\$ 532,100
AOC/Drug - DUI Fund	26,138
Victims of Crime Grants	76,899
Law Library	131
District 1 Road Fund	83,319
District 3 Road Fund	15,944
District 5 Road Fund	84,958
District 1 Bridge Fund	120,567
District 2 Bridge Fund	2,921
District 3 Bridge Fund	147,427
District 1 Recreation Fund	1,620
District 5 Recreation Fund	4,981
2019 District 4 Road and Recreation Bond	48,084

(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 \$(4,771,514) 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 \$157,536 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 \$284,768 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next 4 years. The \$106,836 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next 3 years.

The governmental activities' unrestricted net position amount of \$(4,771,514) includes the effect of recognition of deferring the recognition of revenue resulting from capital leases receivable. The \$18,855 balance of deferred inflows of resources at September 30, 2019, will be recognized as revenue and will increase the unrestricted net position over

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

the next 7 years.

The business-type activities' unrestricted net position amount of \$(2,207,470) 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 \$42,072 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 \$124,541 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next 4 years. The \$33,604 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next 3 years.

(13) Related Organizations.

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

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations.

Holmes Community College operates in a district composed of the counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Holmes County Board of Supervisors appoints six of the 22 members of the board of trustees. The county appropriated \$586,555 for maintenance and support of the college in fiscal year 2019.

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 \$210,902 for maintenance and support of the library in fiscal year 2019.

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 2019.

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 2019.

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 .75 mill tax in support of the district in fiscal year 2019.

(15) The Mississippi Office of the State Auditor (OSA) has elected to perform limited procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the County's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>. OSA's report will include a Purchasing Report and Limited Compliance Review Report.

(16) 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

HOLMES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2019

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 August 2, 2024, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2019, the County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
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
05/2024	not available	231,000	Capital lease	Ad valorem revenue
05/2024	not available	754,437	Capital lease	Ad valorem revenue
04/2024	4.09%	300,000	Bonded debt	Ad valorem revenue
04/2024	3.20%	250,000	Bonded debt	Ad valorem revenue
04/2024	3.20%	200,000	Bonded debt	Ad valorem revenue
04/2024	4.21%	400,000	Bonded debt	Ad valorem revenue
04/2024	4.09%	200,000	Bonded debt	Ad valorem revenue

On June 21, 2023, agents of the Office of the State Auditor arrested Melissa Upchurch, the former District Secretary for the Holmes County Water and Soil Conservation District. She was charged with embezzlement and was served with a \$48,160.08 demand letter at the time of her surrender. The demand letter included interest and investigative costs. In 2024, she pled guilty to the charges.

HOLMES COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

HOLMES COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2019
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,946,384	5,121,828	5,121,828	-
Licenses, commissions and other revenue	134,500	146,262	146,262	-
Fines and forfeitures	146,000	164,203	164,203	-
Intergovernmental revenues	403,696	736,673	736,673	-
Charges for services	70,000	64,688	64,688	-
Interest income	179,000	383,183	383,183	-
Miscellaneous revenues	323,010	433,007	433,007	-
Total Revenues	<u>6,202,590</u>	<u>7,049,844</u>	<u>7,049,844</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	3,464,289	3,627,339	3,627,339	-
Public Safety	1,910,270	1,890,554	1,890,554	-
Public Works	34,856	14,556	14,556	-
Health and welfare	364,675	328,265	328,265	-
Culture and recreation	10,000	-	-	-
Conservation of natural resources	109,865	96,241	96,241	-
Economic development and assistance	184,625	153,752	153,752	-
Total Expenditures	<u>6,078,580</u>	<u>6,110,707</u>	<u>6,110,707</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>124,010</u>	<u>939,137</u>	<u>939,137</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	285,000	899,364	899,364	-
Other financing uses	<u>(433,000)</u>	<u>(1,015,032)</u>	<u>(1,015,032)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(148,000)</u>	<u>(115,668)</u>	<u>(115,668)</u>	<u>-</u>
Net Change in Fund Balance	(23,990)	823,469	823,469	-
Fund Balances - Beginning	<u>-</u>	<u>5,192,984</u>	<u>5,192,984</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (23,990)</u>	<u>6,016,453</u>	<u>6,016,453</u>	<u>-</u>

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

HOLMES COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2019
UNAUDITED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	\$ 11,917,155	11,528,146	10,596,083	11,079,750	9,871,342	7,776,925
County's proportionate share of the net pension liability (asset)	0.067742 %	0.069309 %	0.063742 %	0.062028 %	0.063859 %	0.064070 %
Covered payroll	\$ 4,535,288	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	262.77 %	263.69 %	253.06 %	279.22 %	247.43 %	198.64 %
Plan fiduciary net position as a percentage of the total pension liability	61.59 %	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 the County's Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2019
UNAUDITED

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 729,386	698,273	665,481	617,917	624,911
Contributions in relation to the contractually required contribution	\$ <u>729,386</u>	<u>698,273</u>	<u>665,481</u>	<u>617,917</u>	<u>624,911</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	4,505,161	4,433,479	4,225,276	3,923,276	3,967,683
Contributions as a percentage of covered payroll	16.19%	15.75%	15.75%	15.75%	15.75%

*Until July 1, 2019, contributions were 15.75%.

Subsequent to July 1, 2019, contributions were 17.40%.

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 September 30, 2015, and, until a full 10-year trend is compiled, the County has only presented information for the years in which the 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, 2019
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 schedules to the GAAP basis financial statements for the General Fund:

		Governmental Fund Types
		General Fund
Budget (Cash Basis)	\$	823,469
Increase (Decrease)		
Net adjustments for revenue accruals		(177,785)
Net adjustments for expenditure accruals		(673,241)
GAAP Basis	\$	(27,557)

HOLMES COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2019
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%.

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.

For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.

For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

HOLMES COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2019
UNAUDITED

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

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.

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, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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, 2019

Operating Expenditures, Cash Basis:

Salaries	\$ 237,063
Expendable Commodities:	
Gasoline and petroleum products	41,264
Tires and tubes	9,934
Repair parts	28,691
Supplies	7,979
Contractual services	16,943
Solid waste disposal fees	56,258
Other miscellaneous expense	965
Insurance	18,411
Telephone	1,588
Principal retirement and interest	<u>55,337</u>

Solid Waste Cash Basis Operating Expenditures	474,433
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Full Cost Expenses:

Indirect administrative costs	23,000
Depreciation on equipment	<u>40,121</u>

Solid Waste Full Cost Operating Expenses	\$ <u><u>537,554</u></u>
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HOLMES COUNTY

OTHER INFORMATION

HOLMES COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2019
UNAUDITED

NAME	POSITION	COMPANY	Bond
Henry Anderson	Supervisor District 1	Nationwide Mutual Insurance	\$ 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 Lockett	Chancery Clerk	Nationwide Mutual Insurance	\$ 100,000
Amanda Boyd	Deputy Chancery Clerk	RLI Insurance Company	\$ 50,000
Charles Lockett	Deputy Chancery Clerk	Nationwide Mutual Insurance	\$ 50,000
Carolyn Pepper	Deputy Chancery Clerk	Nationwide Mutual Insurance	\$ 50,000
Annie Green	Deputy Chancery Clerk	RLI Insurance Company	\$ 50,000
Mary McKinney	Deputy Chancery Clerk	Nationwide Mutual Insurance	\$ 50,000
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 Anderson	Constable	Nationwide Mutual Insurance	\$ 50,000
Sharkey Ford	Constable	Nationwide Mutual Insurance	\$ 50,000
Charlie Joiner	County Administrator	Western Surety	\$ 100,000
Caldonia Wiley	Bookkeeper	Nationwide Mutual Insurance	\$ 50,000
Vickie Andrews	Bookkeeper	Nationwide Mutual Insurance	\$ 50,000
Mariah Shannon	Bookkeeper	Nationwide Mutual Insurance	\$ 50,000
Wayne Morrison	County Engineer	Nationwide Mutual Insurance	\$ 50,000
Gyronne Granderson	Emergency Management	Nationwide Mutual Insurance	\$ 10,000
Charlie M. Joiner	Inventory Control Clerk	Western Surety Company	\$ 75,000
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
Ebony Thurmond	Deputy Justice Court Clerk	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
Charlie M. Joiner	Purchase Clerk	Western Surety Company	\$ 100,000
Vanessa Truss	Assistant Purchase Clerk	Nationwide Mutual Insurance	\$ 50,000
Alanda Taylor	Assistant Purchase Clerk	RLI Insurance Company	\$ 50,000
Charlie Lockett	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
Linda Rollins	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
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
Willie March	Sheriff	RLI Insurance Company	\$ 100,000
Barry W. Rule	Warden	RLI Insurance Company	\$ 25,000
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
Myra Meeks	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

HOLMES COUNTY

SPECIAL REPORTS



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AMERICAN INSTITUTE OF CPAs
GOVERNMENT AUDIT QUALITY CENTER

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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 2, 2024

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.

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

August 2, 2024

HOLMES COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

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*.