

SIMPSON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2011

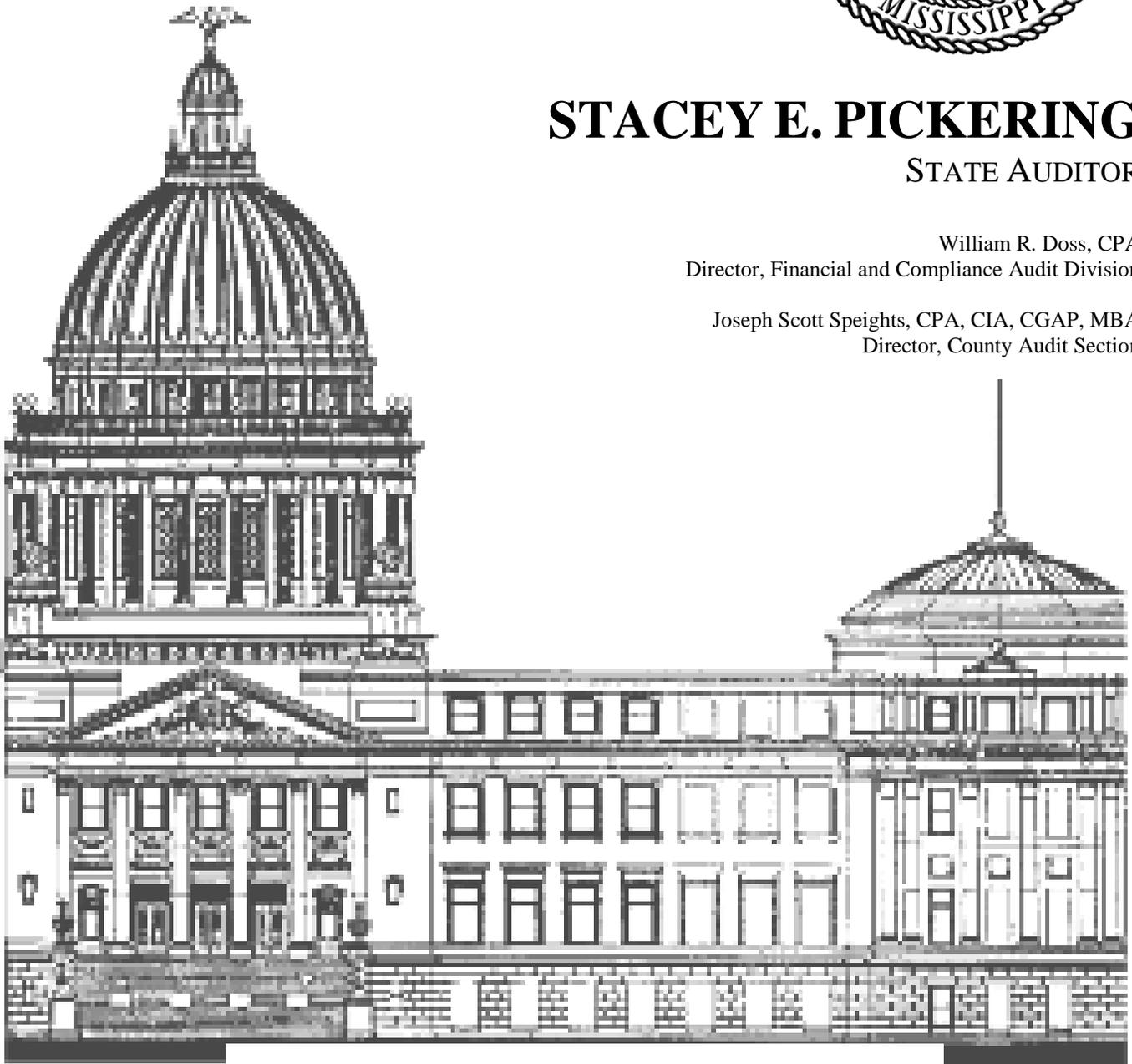


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

August 28, 2012

Members of the Board of Supervisors
Simpson County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Simpson County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Simpson County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Simpson County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a large initial "S" and "P".

Stacey E. Pickering
State Auditor

SIMPSON COUNTY
TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Net Assets	7
Statement of Activities	8
Balance Sheet – Governmental Funds	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances -Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Assets – Proprietary Fund	13
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	14
Statement of Cash Flows – Proprietary Fund	15
Statement of Fiduciary Assets and Liabilities	16
Notes to the Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	35
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) - General Fund	36
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – County Wide Road Maintenance Fund	37
Notes to the Required Supplementary Information	38
SUPPLEMENTAL INFORMATION	39
Schedule of Expenditures of Federal Awards	40
SPECIAL REPORTS	41
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 <i>Government Auditing Standards</i>	43
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	45
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	47
Limited Internal Control and Compliance Review Management Report	53
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	55

SIMPSON COUNTY

FINANCIAL SECTION

SIMPSON COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Simpson County Human Resource Agency, a component unit, which represents 100 percent of the assets, net assets, and revenues of the aggregate discretely presented component unit. Those financial statements were audited by an other auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

As discussed in Note 11 to the financial statements, the county has not recorded a liability for other postemployment benefits in the governmental activities, the business type activities and the major enterprise fund, and accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets and change the expenses of the governmental activities, the business type activities and the major enterprise fund. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities, the business type activities and the major enterprise fund is not reasonably determinable.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities, the business type activities and the major enterprise fund of Simpson County, Mississippi, as of September 30, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion based on our audit and the report of the other auditor, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the aggregate discretely presented component unit, the General Fund, the County Wide Road Maintenance Fund and the aggregate remaining fund information of Simpson County, Mississippi, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2012, on our consideration of Simpson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Simpson County, Mississippi, has not presented Management's Discussion and Analysis, and the Schedule of Funding Progress – Other Postemployment Benefits that are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information 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 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,

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Simpson County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 28, 2012

SIMPSON COUNTY

FINANCIAL STATEMENTS

SIMPSON COUNTY

(This page left blank intentionally.)

SIMPSON COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	<u>Primary Government</u>			<u>Component</u>
	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>	<u>Unit</u>
	<u>Activities</u>	<u>Activities</u>		<u>Simpson County</u>
				<u>Human Resource</u>
				<u>Agency</u>
ASSETS				
Cash	\$ 7,159,351	240,816	7,400,167	19,485
Restricted cash	949,241		949,241	
Property tax receivable	7,280,319		7,280,319	
Accounts receivable (net of allowance for uncollectibles of \$753,290)		249,826	249,826	
Fines receivable (net of allowance for uncollectibles of \$1,549,516)	567,653		567,653	
Intergovernmental receivables	277,010		277,010	29,588
Deferred charges- bond issuance costs	394,570		394,570	
Other receivables	36,497		36,497	
Capital assets:				
Land and construction in progress	8,658,320		8,658,320	
Other capital assets, net	51,663,095	532,513	52,195,608	
Total Assets	<u>76,986,056</u>	<u>1,023,155</u>	<u>78,009,211</u>	<u>49,073</u>
LIABILITIES				
Claims payable	335,452	30,685	366,137	24,982
Intergovernmental payables	254,479		254,479	
Deferred revenue	7,280,319		7,280,319	
Unearned revenue		51,559	51,559	
Accrued interest payable	623		623	
Other payables	69,092		69,092	
Long-term liabilities				
Due within one year:				
Capital debt	1,327,427		1,327,427	
Due in more than one year:				
Capital debt	10,476,013		10,476,013	
Non-capital debt	265,213	24,826	290,039	
Total Liabilities	<u>20,008,618</u>	<u>107,070</u>	<u>20,115,688</u>	<u>24,982</u>
NET ASSETS				
Invested in capital assets, net of related debt	48,517,975	532,513	49,050,488	
Restricted:				
Expendable:				
Debt service	177,327		177,327	
General government	13,336		13,336	
Public safety	848,643		848,643	
Public works	613,611	383,572	997,183	
Economic development	597,963		597,963	
Unrestricted	6,208,583		6,208,583	24,091
Total Net Assets	<u>\$ 56,977,438</u>	<u>916,085</u>	<u>57,893,523</u>	<u>24,091</u>

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

SIMPSON COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Simpson County Human Resource Agency
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 2,856,232	1,056,324			(1,799,908)		(1,799,908)	
Public safety	3,666,199	461,222	164,366	337,937	(2,702,674)		(2,702,674)	
Public works	3,632,703		761,567	321,658	(2,549,478)		(2,549,478)	
Health and welfare	404,147		19,171	85,387	(299,589)		(299,589)	
Culture and recreation	186,349				(186,349)		(186,349)	
Conservation of natural resources	91,919				(91,919)		(91,919)	
Economic development and assistance	250,448			92,437	(158,011)		(158,011)	
Interest on long-term debt	249,554				(249,554)		(249,554)	
Total Governmental Activities	<u>11,337,551</u>	<u>1,517,546</u>	<u>945,104</u>	<u>837,419</u>	<u>(8,037,482)</u>		<u>(8,037,482)</u>	
Business-type activities:								
Solid Waste	839,823	878,384	15,255			53,816	53,816	
Total Business-type Activities	<u>839,823</u>	<u>878,384</u>	<u>15,255</u>			<u>53,816</u>	<u>53,816</u>	
Total Primary Government	\$ <u>12,177,374</u>	<u>2,395,930</u>	<u>960,359</u>	<u>837,419</u>	<u>(8,037,482)</u>	<u>53,816</u>	<u>(7,983,666)</u>	
Component unit:								
Human Resource Agency	\$ <u>1,271,575</u>		<u>704,100</u>					<u>(567,475)</u>
Total Component Unit	\$ <u>1,271,575</u>		<u>704,100</u>					<u>(567,475)</u>
General revenues:								
Property taxes					\$ 7,419,289		7,419,289	
Road & bridge privilege taxes					313,331		313,331	
Grants and contributions not restricted to specific programs					811,690		811,690	253,512
Unrestricted interest income					118,405	3,621	122,026	
Miscellaneous					241,676		241,676	93,682
Total General Revenues and Transfers					<u>8,904,391</u>	<u>3,621</u>	<u>8,908,012</u>	<u>347,194</u>
Changes in Net Assets					866,909	57,437	924,346	(220,281)
Net Assets - Beginning					<u>56,110,529</u>	<u>858,648</u>	<u>56,969,177</u>	<u>244,372</u>
Net Assets - Ending					\$ <u>56,977,438</u>	<u>916,085</u>	<u>57,893,523</u>	<u>24,091</u>

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

SIMPSON COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2011

Exhibit 3

	Major Funds			
	General Fund	Countiwide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 4,891,115	298,934	1,969,302	7,159,351
Restricted cash	949,241			949,241
Property tax receivable	4,781,495	985,375	1,513,449	7,280,319
Fines receivable , net of allowance for uncollectible of \$1,548,356	567,653			567,653
Intergovernmental receivables	182,918	18,496	75,596	277,010
Other receivables	10,726		25,771	36,497
Advances to other funds			15,000	15,000
Due from other funds	33,500	39,439	21,829	94,768
Total Assets	\$ 11,416,648	1,342,244	3,620,947	16,379,839
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 172,158	148,149	15,145	335,452
Intergovernmental payables	220,637		17,745	238,382
Advances from other funds			15,000	15,000
Due to other funds	77,365		33,500	110,865
Deferred revenue	5,349,148	985,375	1,513,449	7,847,972
Other Payables	69,092			69,092
Total Liabilities	5,888,400	1,133,524	1,594,839	8,616,763
Fund balances:				
Nonspendable:				
Advances			15,000	15,000
Restricted for:				
General government			53,193	53,193
Public safety	949,241		709,238	1,658,479
Public works		208,720	488,041	696,761
Economic deveopment			597,963	597,963
Debt Service Funds			177,950	177,950
Unassigned	4,579,007		(15,277)	4,563,730
Total Fund Balances	5,528,248	208,720	2,026,108	7,763,076
Total Liabilities and Fund Balances	\$ 11,416,648	1,342,244	3,620,947	16,379,839

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

SIMPSON COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,763,076
Amounts reported for governmental activities in the Statement of Net Assets 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 \$91,670,249	60,321,415
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	567,653
Accrued interest payable is not due and payable in the current period and therefore, are not reported in the funds	(623)
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(12,068,653)
Deferred charges - bond issuance costs	<u>394,570</u>
Total Net Assets - Governmental Activities	\$ <u><u>56,977,438</u></u>

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

SIMPSON COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 4,893,277	987,250	1,538,762	7,419,289
Road and bridge privilege taxes		313,331		313,331
Licenses, commissions and other revenue	238,868		12,516	251,384
Fines and forfeitures	674,635		19,881	694,516
Intergovernmental revenues	915,797	681,197	997,219	2,594,213
Charges for services	119,002		294,918	413,920
Interest income	86,576	8,320	23,509	118,405
Miscellaneous revenues	138,393	62,089	41,837	242,319
Total Revenues	<u>7,066,548</u>	<u>2,052,187</u>	<u>2,928,642</u>	<u>12,047,377</u>
EXPENDITURES				
Current:				
General government	2,796,913		10,028	2,806,941
Public safety	9,913,747		970,698	10,884,445
Public works		2,765,444	827,201	3,592,645
Health and welfare	389,944		67,898	457,842
Culture and recreation	186,349			186,349
Conservation of natural resources	91,919			91,919
Economic development and assistance	13,749		209,422	223,171
Debt service:				
Principal	23,935	156,413	600,733	781,081
Interest	158,934	21,200	68,642	248,776
Paying agent fees			4,440	4,440
Total Expenditures	<u>13,575,490</u>	<u>2,943,057</u>	<u>2,759,062</u>	<u>19,277,609</u>
Excess of Revenues over (under) Expenditures	<u>(6,508,942)</u>	<u>(890,870)</u>	<u>169,580</u>	<u>(7,230,232)</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued	7,903,028	130,304	1,880,000	9,913,332
Proceeds from sale of capital assets	13,292			13,292
Transfer to refunding bond trustee			(1,858,641)	(1,858,641)
Transfers in	14,818	133,730	130,479	279,027
Transfers out	(100,633)		(178,394)	(279,027)
Total Other Financing Sources and Uses	<u>7,830,505</u>	<u>264,034</u>	<u>(26,556)</u>	<u>8,067,983</u>
Net Changes in Fund Balances	1,321,563	(626,836)	143,024	837,751
Fund Balances - Beginning	4,083,583	835,556	2,006,186	6,925,325
Fund reclassification	123,102		(123,102)	
Fund Balances - Ending	<u>\$ 5,528,248</u>	<u>208,720</u>	<u>2,026,108</u>	<u>7,763,076</u>

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

SIMPSON 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, 2011

	Amount
Net Changes in Fund Balances - Governmental Funds	\$ 837,751
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 assets differs from the change in fund balances by the amount that capital outlays of \$7,613,083 exceeded depreciation of \$836,343 in the current period.	6,776,740
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 assets differs from the change in fund balances by the amount of the proceeds from sale of capital assets of \$13,292 and the net loss of \$643.	(13,935)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	157,726
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$9,913,332 exceeded debt repayments of \$781,081.	(9,132,251)
In the governmental funds, payments to refund bonds are recognized as an other financing source, while in the Statement of Net Assets the payment reduces long term liabilities. Thus the change in net assets differs from the change in fund balance by the amount of the payment made to refund the long term debt	1,825,000
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 assets differs from the change in fund balances by:	
Deferred charge and premiums net	17,400
Decrease in compensated absences	4,686
Increase in accrued interest payable	(623)
The Amortization of:	
Issuance cost on refunding bond	37,265
Issuance cost on Certificates of Participation	357,305
Refunding Bond Deferred Charge and premium	(155)
Change in Net Assets of Governmental Activities	\$ <u>866,909</u>

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

SIMPSON COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2011

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Garbage and Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 240,816
Accounts receivable (net of allowance for uncollectibles of \$753,290)	<u>249,826</u>
Total Current Assets	<u>490,642</u>
Noncurrent assets:	
Capital assets, net	<u>532,513</u>
Total Noncurrent Assets	<u>532,513</u>
Total Assets	<u>1,023,155</u>
LIABILITIES	
Current liabilities:	
Claims payable	30,685
Unearned revenue	<u>51,559</u>
Total Current Liabilities	<u>82,244</u>
Noncurrent liabilities:	
Compensated absences payable	<u>24,826</u>
Total Noncurrent Liabilities	<u>24,826</u>
Total Liabilities	<u>107,070</u>
NET ASSETS	532,513
Invested in capital assets, net of related debt	
Restricted for:	<u>383,572</u>
Public Works	
	\$ <u><u>916,085</u></u>
Total Net Assets	

SIMPSON COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets -
 Proprietary Fund
 For the Year Ended September 30, 2011

	Business-type Activities - Enterprise Fund
	<u>Garbage and Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 878,104
Other operating cash receipts	280
Total Operating Revenues	<u>878,384</u>
Operating Expenses	
Personal services	374,394
Contractual services	204,477
Materials and supplies	187,412
Depreciation expense	73,540
Total Operating Expenses	<u>839,823</u>
Operating Income (Loss)	<u>38,561</u>
Nonoperating Revenues (Expenses)	
Interest income	3,621
State grants	15,255
Net Nonoperating Revenue (Expenses)	<u>18,876</u>
Changes in Net Assets	57,437
Net Assets - Beginning	<u>858,648</u>
Net Assets - Ending	<u>\$ 916,085</u>

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

SIMPSON COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2011

Exhibit 7

	Business-type Activities- Enterprise Fund
	<u>Garbage and Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 867,094
Payments to suppliers	(392,382)
Payments to employees	(373,234)
Other operating cash receipts	<u>280</u>
Net Cash Provided (Used) by Operating Activities	<u>101,758</u>
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	<u>15,255</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>15,255</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(114,832)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(114,832)</u>
Cash Flows From Investing Activities	
Interest on deposits	<u>3,621</u>
Net Cash Provided (Used) by Investing Activities	<u>3,621</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,802
Cash and Cash Equivalents at Beginning of Year	<u>235,014</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>240,816</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 38,561
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	73,540
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(14,660)
Increase (decrease) in unearned revenue	3,650
Increase (decrease) in claims payable	(493)
Increase (decrease) in compensated absences liability	<u>1,160</u>
Total Adjustments	<u>63,197</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>101,758</u></u>

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

SIMPSON COUNTY
Statement of Fiduciary Assets & Liabilities
September 30, 2011

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 126,817
Due from other funds	<u>16,097</u>
Total Assets	<u>\$ 142,914</u>
LIABILITIES	
Amounts held in custody for others	\$ 10,388
Intergovernmental payables	<u>132,526</u>
Total Liabilities	<u>\$ 142,914</u>

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

SIMPSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Simpson 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 Simpson County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

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

B. Individual Component Unit Disclosures.

Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit balances and transactions are blended with the balances and transactions of the primary government.

Simpson County Economic Development District is a legally separate entity organized under Section 19-5-99, Miss. Code Ann. (1972). Its purpose is to foster, encourage and facilitate economic development in the county. The entity's board of trustees is composed of 11 members appointed by the county board of supervisors. The county funds the entity through a 1 mill tax levy.

Discretely Presented Component Unit

The component unit columns in the financial statements include the financial data of the following component unit of the county. They are reported in a separate column to emphasize that they are legally separate from the county. The members of the governing body of the component unit are appointed by the county Board of Supervisors.

Simpson County Human Resource Agency was established in 1976 to administer the programs of state and federal agencies and to work with the poor, public and private sectors to identify and try to eliminate the causes of poverty within Simpson County. This agency is partially supported by the Board of Supervisors of Simpson County who also appoints the board of directors.

At September 30, 2011, the Agency ceased operations and assets were to be transferred to another local non-profit organization or returned to the awarding agency.

SIMPSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2011

C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets 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 Assets and Statement of Activities display information concerning the county as a whole. The statements include all non-fiduciary activities of the primary government and its component units. 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 non-exchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activities 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 accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

SIMPSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2011

The revenues and expenses of Proprietary Funds are classified as operating or non-operating. 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 non-operating.

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

The county reports the following major Governmental Funds:

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

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

The county reports the following major Proprietary Fund:

Garbage and Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

Enterprise 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 agency, for distribution to other governmental units or designated beneficiaries.

SIMPSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2011

E. Account Classifications.

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

F. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, 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. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

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

H. 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 applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Simpson County meets this criteria and has so elected.

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 non-capitalization 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.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2011

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	*	*

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

J. Long-term Liabilities.

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

In the government-wide financial statements 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 Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, 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.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - 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 assets - Consists of net assets 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 assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

SIMPSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2011

Fund Financial Statements:

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

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

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

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

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

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.

L. Property Tax Revenues.

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

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

SIMPSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2011

M. 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.

N. Compensated Absences.

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

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as non-spendable, restricted, committed, assigned, or unassigned

(3) Beginning Fund Balance Adjustment

For the year beginning October 1, 2010, the County Reappraisal Fund was reclassified from Other Governmental Funds to the General Fund. This resulted in an increase and decrease to the General Fund and Other Governmental Funds of \$123,102 respectively.

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$8,476,225, and the bank balance was \$8,712,183. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Restricted Cash.

As approved in Section 91-13-8, Miss. Code Ann. (1972), the cash balance amount of \$949,241 is managed through a trust indenture between the county and the trustee related to the operations of the Simpson County Jail Complex. Accordingly, this cash is classified as restricted on the financial statements.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2011

Component Unit:

At September 30, 2011, all of the Simpson County Human Resource Agency's funds had been placed in the State of Mississippi Treasurer's Pool for deposits. Therefore, all deposits are covered with either FDIC insurance or the State Treasurer's Pool.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 33,500
Other Governmental Funds	General Fund	21,829
Countywide Road Maintenance Fund	General Fund	39,439
Agency Funds	General Fund	16,097
Total		\$ 110,865

Amounts listed are the tax revenues collected in September 2011 but not settled until October 2011 and loan for grant reimbursements. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	Other Governmental Funds	\$ 15,000

This represents cash loaned from the Seized Forfeited Fund to the DUI Grant Fund to cover cash deficits resulting from the delay in the reimbursements.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Fund	\$ 14,818
Countywide Road Maintenance Fund	Other Governmental Fund	133,730
Other Governmental Funds	Other Governmental Funds	29,846
Other Governmental Fund	General Fund	100,633
Total		\$ 279,027

The purpose of the transfers was to provide funds for budgeted items. The transfers were routine in nature and consistent with the fund making the transfer.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2011

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative Tag Credit	\$ 130,643
Department of Public Safety	75,596
Department of Corrections	17,038
Department of Human Services	5,142
Department of Transportation	21,178
Department of Homeland Security	27,413
	<hr/>
Total Governmental Activities	\$ <u><u>277,010</u></u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,725,899	610			1,726,509
Construction in progress	466,985	6,999,651		(534,825)	6,931,811
Total non-depreciable capital assets	<u>2,192,844</u>	<u>7,000,261</u>	<u>0</u>	<u>(534,825)</u>	<u>8,658,320</u>
<u>Depreciable capital assets:</u>					
Infrastructure	129,901,013	329,658			130,222,671
Buildings	5,934,493			534,825	6,469,318
Improvements other than buildings	681,890				681,890
Mobile equipment	3,978,890	68,475	(139,334)		3,908,031
Furniture and equipment	970,035	8,257			978,292
Leased property under capital leases	858,710	214,432			1,073,142
Total depreciable capital assets	<u>142,325,031</u>	<u>612,822</u>	<u>(139,334)</u>	<u>534,825</u>	<u>143,333,344</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	84,219,829	328,341			84,548,170
Buildings	3,311,288	60,894			3,372,182
Improvements other than buildings	27,277	27,277			54,554
Mobile equipment	2,471,366	284,029	(125,399)		2,629,996
Furniture and equipment	785,194	31,095			816,289
Leased property under capital leases	144,351	104,707			249,058
Total accumulated depreciation	<u>90,959,305</u>	<u>836,343</u>	<u>(125,399)</u>	<u>0</u>	<u>91,670,249</u>
Total depreciable capital assets, net	<u>51,365,726</u>	<u>(223,521)</u>	<u>(13,935)</u>	<u>534,825</u>	<u>51,663,095</u>
Governmental activities capital assets, net	<u>\$ 53,558,610</u>	<u>6,776,740</u>	<u>(13,935)</u>	<u>0</u>	<u>60,321,415</u>

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2011

Business-type activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments	Balance Sept. 30, 2011
<u>Depreciable capital assets:</u>					
Buildings	\$ 164,260				164,260
Mobile equipment	1,105,747	114,832			1,220,579
Total depreciable capital assets	1,270,007	114,832	0	0	1,384,839
<u>Less accumulated depreciation for:</u>					
Buildings	39,432	3,286			42,718
Mobile equipment	739,354	70,254			809,608
Total accumulated depreciation	778,786	73,540	0	0	852,326
Total depreciable capital assets, net	491,221	41,292	0	0	532,513
Business-type activities capital assets, net	\$ 491,221	41,292	0	0	532,513

Component Unit

Simpson County Human Resource Agency

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments**	Balance Sept. 30, 2011
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 707,499			(707,499)	0
Furniture and equipment	4,396			(4,396)	0
Total depreciable capital assets	711,895		0	(711,895)	0
<u>Less accumulated depreciation for:</u>					
Mobile equipment	459,467			(459,467)	0
Total accumulated depreciation	459,467		0	(459,467)	0
Component Unit capital assets, net	\$ 252,428	0	0	(252,428)	0

*Adjustments:

Adjustment was made to transfer asset from Construction in Progress to Buildings.

**At September 30, 2011 the Simpson County Human Resource Agency ceased operations and transferred the assets to another local non-profit or the awarding agency.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2011

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 107,640
Public safety	177,916
Public works	509,365
Health and welfare	14,145
Culture and recreation	27,277
Total governmental activities depreciation expense	\$ 836,343
Business-type activities:	
Solid waste	\$ 73,540
Total business-type activities depreciation expense	\$ 73,540

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Simpson County Jail Complex	\$ 943,000	March 2012

The remaining costs are to be paid from the proceeds of the issuance of the Certificates of Participation.

(8) 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, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2011

(9) Operating Leases.

As Lessor:

The county receives income from property it leases under non-cancellable operating leases. Total income from such leases was \$ 45,000 for the year ended September 30, 2011. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2012	\$ 45,000
2013	45,000
2014	45,000
2015	45,000
2016	45,000
2017 – 2018	<u>90,000</u>
Total Minimum Payments Required	<u>\$ 315,000</u>

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 1,073,142
Less: Accumulated depreciation	<u>(249,058)</u>
Leased Property Under Capital Leases	<u>\$ 824,084</u>

The following is a schedule by years of the total payments due as of September 30, 2011:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 447,244	15,920
2013	103,749	9,727
2014	64,559	6,973
2015	45,083	4,865
2016	85,346	2,287
2017	<u>13,123</u>	<u>712</u>
Total	<u>\$ 759,104</u>	<u>40,484</u>

(11) Other Postemployment Benefits.

Plan Description

The Simpson County Board of Supervisors administers the county's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The county's health insurance plan may be amended by the Simpson County Board of Supervisors. The county purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2011

The county does not issue a publicly available financial report for the plan. The county also has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(12) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Quality Foods MBIA bond	\$ 580,000	2.00%	03/2016
Road and bridge bonds Series 2003	200,000	3.00%	04/2012
Industrial development bonds of 2009	630,371	0.00%	05/2019
2011 Road and bridge refunding bonds	<u>1,855,000</u>	2.00-3.00%	10/2019
Total General Obligation Bonds	<u>\$ 3,265,371</u>		
B. Limited Obligation Bonds:			
Certificates of Participation, (Jail Complex)	\$ 7,740,000	3- 4.70%	11/2030
C. Capital Leases:			
2 Caterpillar motor graders	\$ 303,124	3.17%	10/2013
2 Tractors and related equipment	107,018	3.19%	04/2013
Excavator	38,849	3.39%	10/2014
Freightliner truck and trailer	18,619	3.24%	10/2012
Radios	69,324	5.39%	09/2017
Wheel loader	122,401	3.12%	02/2016
Computer system	<u>69,769</u>	3.45%	10/2015
Total Capital Leases	<u>\$ 759,104</u>		
D. Other Loans:			
CAP Loan – fire truck	<u>\$ 56,210</u>	2.00%	06/2018

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 597,222	123,482	275,000	300,327
2013	407,222	104,845	285,000	291,926
2014	417,222	91,343	290,000	283,302
2015	427,222	77,244	300,000	274,451
2016	437,222	62,644	310,000	265,301
2017 – 2021	979,261	99,227	1,705,000	1,169,399
2022 – 2026			2,040,000	814,413
2027 – 2031			<u>2,535,000</u>	<u>308,911</u>
Total	<u>\$ 3,265,371</u>	<u>558,785</u>	<u>7,740,000</u>	<u>3,708,030</u>

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2011

Year Ending September 30	Other Loans	
	Principal	Interest
2012	\$ 7,961	1,052
2013	8,123	890
2014	8,286	727
2015	8,453	560
2016	8,623	390
2017 – 2021	14,764	258
Total	\$ 56,210	3,877

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, 2011, the amount of outstanding debt was equal to 1.49% of the latest property assessments.

Certificates of Participation – In accordance with Section 31-8-1 et seq. Mississippi Code Ann., (1972), the County issued Certificates of Participation and transferred the proceeds to the Central Mississippi Public Improvement Corporation (Corporation). The funds are to be used to construct a County Jail Complex. At completion, the Corporation will enter into a twenty year lease with the County. The County is obligated to pay the Corporation rent equal to the principal and interest on the debt. At the completion of the lease, the County will assume ownership of the facility. This obligation is not a general obligation and does not constitute a pledge of full faith and credit of the county.

Advance Refunding - On October 1, 2011, the county issued \$ 1,880,000 in general obligation refunding bonds with an average interest rate of 2.00% - 3.00% to advance refund \$1,825,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
Road and Bridge Bonds, Series 2004	3.84%	\$ 1,825,000

The net proceeds of \$ 1,858,641 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

The county advance refunded the above bonds to reduce its total debt service payments by almost \$ 80,586 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$ 77,998.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2011

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 269,899		4,686		265,213	
General obligation bonds	3,802,593	1,880,000	592,222	(1,825,000)	3,265,371	597,222
Less:						
Deferred refunding charge and premium, net		(17,400)	(155)		(17,245)	
Certificates of Participation		7,740,000			7,740,000	275,000
Capital leases	646,120	293,332	180,348		759,104	447,244
Other loans	64,721		8,511		56,210	7,961
Total	\$ 4,783,333	9,895,932	785,612	(1,825,000)	12,068,653	1,327,427
Business-type Activities:						
Compensated absences	\$ 23,666	1,160			24,826	
Total	\$ 23,666	1,160	0	0	24,826	0

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Reappraisal Trust Fund, DUI Officers Grant Fund, Emergency 911 Fund, Seized Forfeited Fund, Bridge and Culvert Fund, and Garbage and Solid Waste Fund.

(13) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable 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.

(14) Joint Ventures.

The county participates in the following joint ventures:

Simpson County is a participant with Rankin, Scott and Smith Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide free library service to the public and is governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the county's appropriation to the joint venture was \$144,028 in fiscal year 2011. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 104 Office Park Drive, Brandon, MS 39042.

SIMPSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2011

Simpson County is a participant with the Cities of Magee and Mendenhall in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the South Central Regional Solid Waste Authority. The joint venture was created to provide rubbish waste disposal for the residents of Simpson County and is governed by a seven-member board appointed by the Board of Supervisors and Board of Aldermen; three by Simpson County, and two each by the Cities of Magee and Mendenhall. The county's appropriation to the joint venture was \$63,311 in fiscal year 2011. Complete financial statements for the South Central Mississippi Regional Solid Waste Authority can be obtained from the following address: P. O. Box 487, Mendenhall, MS 39114.

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln, and Simpson. The Simpson County Board of Supervisors appoints two of the 27 members of the college board of trustees. The county appropriated \$1,096,188 for the maintenance and support of the college in fiscal year 2011.

Region Eight Mental Health Commission operates in a district composed of the Counties of Copiah, Madison, Rankin, and Simpson. The Simpson County Board of Supervisors appoints one member of the Board of Commissioners. The county appropriated \$45,000 for support of the commission in fiscal year 2011.

Central Mississippi Planning and Development District operates in a district composed of the counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren, and Yazoo. The Simpson County Board of Supervisors appoints three of the 33 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$13,749 for the support of the district in fiscal year 2011.

(16) Defined Benefit Pension Plan.

Plan Description. Simpson County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a 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.

Funding Policy. At September 30, 2011, 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 rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members 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, 2011, 2010 and 2009 were \$ 425,227, \$ 421,351 and \$ 409,316, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Simpson County evaluated the activity of the county through August 28, 2012, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

SIMPSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2011

Subsequent to September 30, 2011, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/07/2011	3.17%	\$	300,000	Capital Lease	Ad Valorem Taxes
04/02/2012	2.25%		285,000	Negotiable Note	Ad Valorem Taxes
05/14/2012	1.95%		178,906	Capital Lease	Ad Valorem Taxes
06/15/2012	1.90%		63,210	Capital Lease	Ad Valorem Taxes

SIMPSON COUNTY

(This page left blank intentionally.)

SIMPSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,749,080	4,884,782	4,884,782	
Licenses, commissions and other revenue	218,820	239,521	239,521	
Fines and forfeitures	626,000	662,203	662,203	
Intergovernmental revenues	881,050	906,965	906,965	
Charges for services	100,000	121,204	121,204	
Interest income	86,800	81,538	81,538	
Miscellaneous revenues	78,000	87,284	87,284	
Total Revenues	<u>6,739,750</u>	<u>6,983,497</u>	<u>6,983,497</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,080,251	2,793,394	2,793,394	
Public safety	3,193,396	9,912,718	9,912,718	
Health and welfare	263,877	388,343	388,343	
Culture and recreation	186,349	186,349	186,349	
Conservation of natural resources	104,470	92,466	92,466	
Economic development and assistance	13,749	13,749	13,749	
Debt service:				
Principal	42,250	182,868	23,934	(158,934)
Interest			158,934	158,934
Total Expenditures	<u>6,884,342</u>	<u>13,569,887</u>	<u>13,569,887</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(144,592)</u>	<u>(6,586,390)</u>	<u>(6,586,390)</u>	
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	230,000	8,008,652	7,903,028	(105,624)
Long-term non-capital debt issued				
Refunding bonds issued				
Proceeds from sale of capital assets			8,114	8,114
Premiums on bonds issued				-
Compensation for loss of capital assets			51,955	51,955
Transfers in			45,555	45,555
Transfers out	(14,233)	(134,133)	(134,133)	
Lease principal payments				
Payment to bond refunding escrow agent				
Discount on bonds issued				
Other financing sources				
Other financing uses				
Total Other Financing Sources and Uses	<u>215,767</u>	<u>7,874,519</u>	<u>7,874,519</u>	<u>0</u>
Net Change in Fund Balance	71,175	1,292,529	1,288,129	(4,400)
Fund Balances - Beginning	<u>3,619,000</u>	<u>4,164,725</u>	<u>4,164,725</u>	
Fund Balances - Ending	<u>\$ 3,690,175</u>	<u>5,457,254</u>	<u>5,452,854</u>	<u>(4,400)</u>

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

SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County Wide Road Maintenance Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 964,527	986,108	986,108	
Road and bridge privilege taxes	305,000	312,128	312,128	
Intergovernmental revenues	670,250	662,098	662,701	603
Interest income	16,000	7,863	7,863	
Miscellaneous revenues		13,867	13,264	(603)
Total Revenues	<u>1,955,777</u>	<u>1,982,064</u>	<u>1,982,064</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,351,702	2,808,987	2,808,987	
Debt service:				
Principal	167,072	177,612	156,413	21,199
Interest			21,199	(21,199)
Total Expenditures	<u>2,518,774</u>	<u>2,986,599</u>	<u>2,986,599</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(562,997)</u>	<u>(1,004,535)</u>	<u>(1,004,535)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	100,000	312,859	130,304	(182,555)
Proceeds from sale of capital assets			48,825	48,825
Transfers in			133,730	133,730
Total Other Financing Sources and Uses	<u>100,000</u>	<u>312,859</u>	<u>312,859</u>	<u>0</u>
Net Change in Fund Balance	(462,997)	(691,676)	(691,676)	
Fund Balances - Beginning	<u>1,300,000</u>	<u>990,609</u>	<u>990,609</u>	
Fund Balances - Ending	<u>\$ 837,003</u>	<u>298,933</u>	<u>298,933</u>	<u>0</u>

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

SIMPSON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2011

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 1,288,129	(691,676)
Increase (Decrease)		
Net adjustments for revenue accruals	5,537	21,298
Net adjustments for expenditure accruals	27,897	43,542
GAAP Basis	\$ 1,321,563	(626,836)

SIMPSON COUNTY

SUPPLEMENTAL INFORMATION

SIMPSON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
U.S. Department of Agriculture/ Natural Resources Conservation Services ARRA Watershed protection and flood service (Direct Award)	10.904	68-4423-10-2083	\$ <u>66,879</u>
U.S. Department of Commerce- National Telecommunications and Information Administration/Passed through the Mississippi Department of Public Safety Office of Homeland Security Public safety interoperable communications grant program*	11.555	DHS-07-0GT-025-1673	<u>200,000</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority/ Community development block grant/ state's program	14.228	0008-08-064-PFR-01	67,899
HOME investment partnerships program	14.239	1220-M08-SG-280-141	92,438
Total U.S. Department of Housing and Urban Development			<u>160,337</u>
U.S. Department of Justice - Bureau of Justice Assistance Bulletproof vest partnership program (Direct Award)	16.607	N/A	<u>800</u>
U.S. Department of Transportation-Federal Highway Administration/ Passed through the Mississippi Department of Transportation/ Highway planning and construction	20.205	BR NBIS 074 B (064)	31,200
National Highway Traffic Safety Administration/ Passed through Mississippi Department of Public Safety/ Division of Public Safety Planning Alcohol open container requirements*	20.607	11TA1641	97,494
Total U. S. Department of Transportation			<u>128,694</u>
U.S. Department of Homeland Security Passed through-Mississippi Department of Homeland Security Emergency management performance grants	97.042	11EMPL00	<u>30,663</u>
Total Expenditures of Federal Awards			\$ <u><u>587,373</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Simpson County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

* Denotes major program

SIMPSON COUNTY

SPECIAL REPORTS

SIMPSON COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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
Simpson County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 28, 2012. Our report includes a reference to other auditors. The report is qualified on the governmental activities, the business type activities and major enterprise fund because the county did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Simpson County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-1 and 11-2 to be material weaknesses.

Compliance and Other Matters

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

Simpson County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Simpson County's responses and, accordingly, we express no opinion on them.

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

Handwritten signature of William R. Dooss in black ink.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 28, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Simpson County, Mississippi

Compliance

We have audited the compliance of Simpson County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. Simpson County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Simpson County, Mississippi's management. Our responsibility is to express an opinion on Simpson County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Simpson County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Simpson County, Mississippi's compliance with those requirements.

In our opinion, Simpson County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

The management of Simpson County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Simpson County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Will. R. Doss". The signature is written in a cursive style with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 28, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Simpson County, Mississippi

We have examined Simpson County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Simpson County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

In our opinion, Simpson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Simpson County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will. R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 28, 2012

SIMPSON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
12/6/2010	2007 Crown Victoria	\$ 13,595	Big Bear Cruisers	\$ 12,800	Not equipped with Police package equipment
12/6/2010	2006 Crown Victoria	\$ 14,295	Big Bear Cruisers	\$ 12,800	Not equipped with Police package equipment
12/6/2010	2006 Crown Victoria	\$ 10,595	Big Bear Cruisers	\$ 12,800	Not equipped with Police package equipment

SIMPSON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

SIMPSON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
 For the Year Ended September 30, 2011

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
7/27/2011	PDA Statman	\$ 8,2571	Channing Bete
8/5/2011	Accuvue TSX Touch Screen (Voting Machine)	\$ 5,0000	Premier Election Solutions

SIMPSON COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

In planning and performing our audit of the financial statements of Simpson County, Mississippi for the year ended September 30, 2011, we considered Simpson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Simpson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 28, 2012, on the financial statements of Simpson County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

A handwritten signature in black ink that reads "Will. R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

August 28, 2012

SIMPSON COUNTY

(This page left blank intentionally.)

SIMPSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SIMPSON COUNTY

(This page left blank intentionally.)

SIMPSON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Qualified |
| | Business-type activities | Qualified |
| | Aggregate discretely presented component units | Unqualified |
| | General Fund | Unqualified |
| | County Wide Road Maintenance Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| | Garbage and Solid Waste Fund | Qualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Public Safety Interoperable Communications Grant Program, CFDA # 11.555 | |
| | b. Alcohol Open Container Requirements, CFDA #20.607 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

SIMPSON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

11-1. Liability for other post-employment benefits should be recorded.

Finding

Simpson County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the county's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. GASB Statement 45 requires the county to report on an accrual basis the liability associated with other postemployment benefits. The county does not issue a publicly available financial report for their health insurance plan. However, as reported in the prior year audit report, the county has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business type activities and the Garbage and Solid Waste Fund.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisors' Response

The Board determined that it is not cost effective to have an actuarial valuation performed annually for reporting other postemployment benefits.

Sheriff.

Material Weakness

11-2. Proper internal controls should be established to ensure financial accountability in the Sheriff's Office.

Finding

Management is responsible for establishing a proper internal control system to ensure a strong financial accountability and safe-guarding of assets and revenue. The following deficiencies were noted during auditor review:

- a. Deposits were being made only once per month.
- b. Settlements were being made to the county up to two months after collections were made.
- c. Cash journals were being closed out around the 20th of each month and the remainder of the revenues collected between the 20th and the end of the month were not being accounted for until the following month.

SIMPSON COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

The failure to implement adequate controls over the collection, recording and disbursement functions could result in inaccurate reporting, incomplete settlements and the increased the possibility of the loss or misappropriation of public funds.

Recommendation

The Sheriff should ensure that there is an adequate separation of duties in the collecting, recording and settlement functions. The Sheriff should ensure that funds are deposited on a daily basis, that cash journals are maintained and reconciled monthly to the bank statements and that all funds are settled monthly to the county.

Sheriff's Response

We have made necessary changes to ensure that all recommendations will be followed.

Section 3: Federal Award Findings and Questioned Costs

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