

# **SIMPSON COUNTY, MISSISSIPPI**

Audited Financial Statements  
And  
Special Reports

For the Year Ended September 30, 2017

SIMPSON COUNTY  
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SIMPSON COUNTY

FINANCIAL SECTION

# Windham and Lacey, PLLC

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Simpson County, Mississippi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and related notes of Simpson County, Mississippi, as of and for the year ended September 30, 2017, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Basis for Qualified Opinions on Governmental Activities, Business-type Activities and Major Enterprise Fund**

As discussed in Note 13 to the financial statements, Simpson County has not recorded a liability for other postemployment benefits in the governmental activities, 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 position and change the expenses of the governmental activities, business-type activities and the major enterprise fund. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities, business-type activities and the major enterprise fund is not reasonably determinable.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Governmental Activities, Business-type Activities and Major Enterprise Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and major enterprise fund of Simpson County, Mississippi, as of September 30, 2017, and the change in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Countywide Road Maintenance Fund, and the aggregate remaining fund information of Simpson County, Mississippi, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Omission of Required Supplementary Information*

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

*Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018, 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 effectiveness of Simpson County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Simpson County, Mississippi's internal control over financial reporting and compliance.



Windham and Lacey, PLLC  
September 14, 2018

SIMPSON COUNTY

FINANCIAL STATEMENTS

SIMPSON COUNTY  
Statement of Net Position  
September 30, 2017

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 9,580,143	61,412	9,641,555
Restricted cash	6,288		6,288
Property tax receivable	8,848,771		8,848,771
Accounts receivable (net of allowance for uncollectibles of \$1,302,139)		399,046	399,046
Fines receivable (net of allowance for uncollectibles of \$1,708,429)	765,801		765,801
Intergovernmental receivables	373,508	11,653	385,161
Other receivables	25,388		25,388
Capital assets:			
Land and construction in progress	2,152,106		2,152,106
Other capital assets, net	59,851,734	686,441	60,538,175
Total Assets	81,603,739	1,158,552	82,762,291
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	3,473		3,473
Deferred outflows related to pensions	757,179	49,310	806,489
Total Deferred Outflows of Resources	760,652	49,310	809,962
<b>LIABILITIES</b>			
Claims payable	181,150	16,299	197,449
Intergovernmental payables	334,761		334,761
Accrued interest payable	114,629		114,629
Refundable deposits		62,736	62,736
Amounts held in custody for others	55,582		55,582
Compensated absences	328,925	21,871	350,796
Long-term liabilities			
Due within one year:			
Capital debt	1,134,123	24,210	1,158,333
Due in more than one year:			
Capital debt	9,715,895	62,841	9,778,736
Net pension liability	11,457,199	763,820	12,221,019
Total Liabilities	23,322,264	951,777	24,274,041
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	200,249	9,371	209,620
Property tax for future reporting period	8,848,771		8,848,771
Total Deferred Inflows of Resources	9,049,020	9,371	9,058,391
<b>NET POSITION</b>			
Net investment in capital assets	51,157,295	599,390	51,756,685
Restricted for:			
Expendable:			
General government	77,885		77,885
Debt service	25,688		25,688
Public safety	1,034,210		1,034,210
Public works	1,599,398	(352,676)	1,246,722
Economic development	392,224		392,224
Unrestricted	(4,293,593)		(4,293,593)
Total Net Position	\$ 49,993,107	246,714	50,239,821

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government	Business-type	Total
				Governmental Activities	Activities	
Primary Government:						
Governmental Activities:						
General government	\$ 3,134,632	1,124,117		(2,010,515)		(2,010,515)
Public safety	4,066,973	388,165	156,969	(3,521,839)		(3,521,839)
Public works	3,369,073		1,251,486	(2,117,587)		(2,117,587)
Health and welfare	146,868		33,167	(113,701)		(113,701)
Culture and recreation	237,094			(237,094)		(237,094)
Conservation of natural resources	107,824			(107,824)		(107,824)
Economic development and assistance	140,027			(140,027)		(140,027)
Pension expense	1,630,930			(1,630,930)		(1,630,930)
Interest/fees on long-term debt	363,829			(363,829)		(363,829)
Total Governmental Activities	<u>13,197,250</u>	<u>1,512,282</u>	<u>1,441,622</u>	<u>(10,243,346)</u>	<u>0</u>	<u>(10,243,346)</u>
Business-type Activities:						
Solid waste	1,164,480	1,111,224	18,386		(34,870)	(34,870)
Total Business-type Activities	<u>1,164,480</u>	<u>1,111,224</u>	<u>18,386</u>	<u>0</u>	<u>(34,870)</u>	<u>(34,870)</u>
Total Primary Government	\$ <u>14,361,730</u>	<u>2,623,506</u>	<u>1,460,008</u>	<u>(10,243,346)</u>	<u>(34,870)</u>	<u>(10,278,216)</u>
General revenues:						
Property taxes				\$ 9,480,417		9,480,417
Road & bridge privilege taxes				325,174		325,174
Grants and contributions not restricted to specific programs				682,500		682,500
Unrestricted interest income				25,988	393	26,381
Miscellaneous				195,548	48,644	244,192
Total General Revenues				<u>10,709,627</u>	<u>49,037</u>	<u>10,758,664</u>
Changes in Net Position				466,281	14,167	480,448
Net Position - Beginning				<u>49,526,826</u>	<u>232,547</u>	<u>49,759,373</u>
Net Position - Ending				\$ <u>49,993,107</u>	<u>246,714</u>	<u>50,239,821</u>

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

SIMPSON COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2017

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash	\$ 6,270,794	988,370	2,320,979	9,580,143
Restricted cash	6,288			6,288
Property tax receivable	5,543,060	1,914,461	1,391,250	8,848,771
Fines receivable (net of allowance for uncollectibles of \$1,708,429)	765,801			765,801
Intergovernmental receivables	328,520		44,988	373,508
Other receivables	18,806		6,582	25,388
Due from other funds	5,000	46,235	23,705	74,940
Total Assets	<u>12,938,269</u>	<u>2,949,066</u>	<u>3,787,504</u>	<u>19,674,839</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	66,097	107,064	7,989	181,150
Intergovernmental payables	247,970	49,027	17,745	314,742
Amounts held in custody for others	55,582			55,582
Due to other funds	89,959		5,000	94,959
Total Liabilities	<u>459,608</u>	<u>156,091</u>	<u>30,734</u>	<u>646,433</u>
Deferred Inflows of Resources:				
Property tax for future reporting period	5,543,060	1,914,461	1,391,250	8,848,771
Unavailable revenue - fines	765,801			765,801
Total Deferred Inflows of Resources	<u>6,308,861</u>	<u>1,914,461</u>	<u>1,391,250</u>	<u>9,614,572</u>
Fund Balances:				
Restricted for:				
General government			77,885	77,885
Public safety			1,034,210	1,034,210
Public works		878,514	720,884	1,599,398
Economic development and assistance			392,224	392,224
Debt service			140,317	140,317
Unassigned	6,169,800			6,169,800
Total Fund Balances	<u>6,169,800</u>	<u>878,514</u>	<u>2,365,520</u>	<u>9,413,834</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>12,938,269</u>	<u>2,949,066</u>	<u>3,787,504</u>	<u>19,674,839</u>

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

## SIMPSON COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2017

Total Fund Balance - Governmental Funds	\$	9,413,834
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$96,552,702.		62,003,840
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		765,801
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(11,178,943)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		(114,629)
Deferred amount on refunding		3,473
Pension Obligations:		
Pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	(11,457,199)	
Deferred outflows and inflows of resources related to pension obligations are applicable to future periods and, therefore, are not reported in the funds.		
Deferred inflows of resources related to pension obligations	(200,249)	
Deferred outflows of resources related to pension obligations	757,179	(10,900,269)
Total Net Position - Governmental Activities	\$	<u>49,993,107</u>

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

## SIMPSON COUNTY

Exhibit 4

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

	Major Funds			Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 6,456,848	1,542,921	1,480,648	9,480,417
Road and bridge privilege taxes		325,174		325,174
Licenses, commissions and other revenue	339,910		9,841	349,751
Fines and forfeitures	630,099		76,447	706,546
Intergovernmental revenues	563,561	715,262	845,299	2,124,122
Charges for services	59,998		265,587	325,585
Interest income	20,203	1,354	4,431	25,988
Miscellaneous revenues	102,121	43,551	38,698	184,370
Total Revenues	<u>8,172,740</u>	<u>2,628,262</u>	<u>2,720,951</u>	<u>13,521,953</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,141,243		41,778	3,183,021
Public safety	3,475,727		809,614	4,285,341
Public works		2,684,909	1,164,058	3,848,967
Health and welfare	133,704			133,704
Culture and recreation	237,094			237,094
Conservation of natural resources	107,824			107,824
Economic development and assistance	14,151		98,599	112,750
Debt service:				
Principal	408,900	172,223	468,657	1,049,780
Interest	259,473	25,592	79,524	364,589
Paying agent fees	2,500		2,440	4,940
Total Expenditures	<u>7,780,616</u>	<u>2,882,724</u>	<u>2,664,670</u>	<u>13,328,010</u>
Excess of Revenues over (under) Expenditures	<u>392,124</u>	<u>(254,462)</u>	<u>56,281</u>	<u>193,943</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued		194,700	101,455	296,155
Sale of capital assets	1,040	108,095		109,135
Transfers in			57,056	57,056
Transfers out	(53,587)		(3,469)	(57,056)
Total Other Financing Sources and Uses	<u>(52,547)</u>	<u>302,795</u>	<u>155,042</u>	<u>405,290</u>
Net Changes in Fund Balances	339,577	48,333	211,323	599,233
Fund Balances - Beginning	<u>5,830,223</u>	<u>830,181</u>	<u>2,154,197</u>	<u>8,814,601</u>
Fund Balances - Ending	<u>\$ 6,169,800</u>	<u>878,514</u>	<u>2,365,520</u>	<u>9,413,834</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, 2017

Net Changes in Fund Balances - Governmental Funds \$ 599,233

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental Funds report capital outlays as expenditures. However, in the  
Statement of Activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense. Thus, the change in net position  
differs from the change in fund balances by the amount that capital expenditures of  
\$978,756 exceeded depreciation of \$972,807 in the current period. 5,949

In the Statement of Activities, only gains and losses from the sale of capital assets  
are reported, whereas in the Governmental Funds, proceeds from the sale of  
capital assets increase financial resources. Thus, the change in net position differs  
from the change in fund balances by the amount of the net gain of \$11,178 and  
the proceeds from the sale of \$109,135 in the current period. (97,957)

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. 130,400

Debt proceeds provide current financial resources to Governmental Funds, but  
issuing debt increases long-term liabilities in the Statement of Net Position.  
Repayment of debt principal is an expenditure in the Governmental Funds,  
but the repayment reduces long-term liabilities in the Statement of Net Position.  
Thus, the change in net position differs from the change in fund balances by the  
amount that debt repayments of \$1,049,780 and amortization of bond discounts  
and premiums of \$3,340 exceeded debt issuance of \$296,155. 756,965

Under the modified accrual basis of accounting used in the Governmental Funds,  
expenditures are not recognized for transactions that are not normally paid with  
expendable available financial resources. However, in the Statement of Activities,  
which is presented on the accrual basis, expenses and liabilities are reported  
regardless of when financial resources are available. In addition, interest on  
long-term debt is recognized under the modified accrual basis of accounting when  
due, rather than as it accrues. Thus, the change in net position differs from the  
change in fund balances by a combination of the following items:

The increase in compensated absences	(2,203)
The decrease in accrued interest payable	5,568
The decrease in refunding charges on long term debt	(3,208)

Items reported in the Statement of Activities relating to the implementation of GASB 68  
are not reported in the governmental funds. These activities include:

Recognition of pension expense for the current year	(1,630,930)
Recognition of contributions made prior to the measurement date	528,214
Recognition of contributions made subsequent to the measurement date	174,250
	(928,466)

Change in Net Position of Governmental Activities \$ 466,281

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

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

Exhibit 5

	<u>Business-type Activities - Enterprise Fund Solid Waste Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 61,412
Accounts receivable (net of allowance for uncollectibles of \$1,302,139)	399,046
Intergovernmental receivables	<u>11,653</u>
Total Current Assets	<u>472,111</u>
Noncurrent Assets:	
Capital assets, net	<u>686,441</u>
Total Noncurrent Assets	<u>686,441</u>
Total Assets	<u>1,158,552</u>
<b>DEFERRED OUTFLOWS</b>	
Deferred outflows related to pensions	<u>49,310</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Claims payable	16,299
Unearned revenue	62,736
Capital debt:	
Capital leases payable	<u>24,210</u>
Total Current Liabilities	<u>103,245</u>
Noncurrent Liabilities:	
Compensated absences payable	21,871
Capital debt:	
Capital leases payable	62,841
Net pension liability	<u>763,820</u>
Total Noncurrent Liabilities	<u>848,532</u>
Total Liabilities	<u>951,777</u>
<b>DEFERRED INFLOWS</b>	
Deferred inflows related to pensions	<u>9,371</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	599,390
Restricted (deficit)	
Public works	<u>(352,676)</u>
Total Net Position	<u>\$ 246,714</u>

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

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

Exhibit 6

	Business-type Activities - Enterprise Fund <u>          Solid Waste                   Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,111,224
Other operating cash receipts	48,644
Total Operating Revenues	<u>1,159,868</u>
OPERATING EXPENSES	
Personal services	389,266
Contractual services	305,882
Materials and supplies	239,219
Pension expense	106,135
Depreciation expense	121,903
Total Operating Expenses	<u>1,162,405</u>
Operating Income (Loss)	<u>(2,537)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	393
Interest expense	(2,075)
State grants	18,386
Net Nonoperating Revenue (Expenses)	<u>16,704</u>
Net Income (Loss)	<u>14,167</u>
Changes in Net Position	14,167
Net Position- Beginning	<u>232,547</u>
Net Position - Ending	<u>\$ 246,714</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, 2017

Exhibit 7

	Business-type Activities- Enterprise Fund <u>Solid Waste Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,082,709
Payments to suppliers	(534,362)
Payments to employees	(431,646)
Other operating cash receipts	48,644
Net Cash Provided (Used) by Operating Activities	<u>165,345</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating grants received	18,386
Net Cash Provided (Used) by Noncapital Financing Activities	<u>18,386</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital assets acquired	(246,076)
Insurance recovery on assets	35,040
Interest on debt	(2,075)
Payment on debt	(26,063)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(239,174)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on deposits	393
Net Cash Provided (Used) by Investing Activities	<u>393</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(55,050)
Cash and Cash Equivalents at Beginning of Year	<u>116,462</u>
Cash and Cash Equivalents at End of Year	<u>\$ 61,412</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(2,537)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	121,903
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(38,128)
Increase (decrease) in unearned revenue	9,612
Increase (decrease) in pension liability	(63,824)
Increase (decrease) in deferred inflows related to pensions	69,444
(Increase) decrease in deferred outflows related to pensions	54,768
Increase (decrease) in claims payable	10,740
Increase (decrease) in compensated absences liability	3,367
Total Adjustments	<u>167,882</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 165,345</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 129,608
Due from other funds	<u>20,019</u>
Total Assets	<u>\$ 149,627</u>
<b>LIABILITIES</b>	
Intergovernmental payables	<u>\$ 149,627</u>
Total Liabilities	<u>\$ 149,627</u>

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

## SIMPSON COUNTY

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

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

##### A. Basis of Presentation.

The accompanying financial statements of Simpson County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

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

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

##### B. Financial Reporting Entity.

Simpson County, Mississippi, (the County) is a political subdivision of the State of Mississippi, governed by an elected five-member Board of Supervisors. For GAAP financial reporting purposes, the County's reporting entity includes all funds of the County's various departments and elected officials (the primary government). Management has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete.

GASB has set forth criteria to be considered in determining financial accountability. These criteria include the following considerations: 1) appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or 2) an organization is fiscally dependent on the primary government and there is potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board.

##### Blended Component Units

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's 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 one mill tax levy.

## SIMPSON COUNTY

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

#### Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and Statement of Activities report information on all nonfiduciary activities of the County. The primary government is further subdivided between governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all of the County's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of September 30, 2017, with the difference reported as net position.

The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and thus, are clearly identifiable to a particular function. Certain indirect costs have been included as part of the program expenses reported for the various functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and any sources of revenue that are not reported as program revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the applicable fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.

The government-wide financial statements and the financial statements of the proprietary funds and fiduciary funds 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, regardless of the timing of related cash flows. 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of proprietary funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary operations. All other revenues and expenses are reported as nonoperating.

## SIMPSON COUNTY

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

Governmental fund financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. Revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year-end to liquidate liabilities existing at the end of the fiscal year. The County considers revenues received within 60 days after fiscal year-end as available. Measurable means knowing or being able to reasonably estimate the amount. Significant revenue sources that are susceptible to accrual include property taxes, state appropriations, and federal awards. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures for goods and services are recognized upon receipt of said goods and services. Expenditures for debt service, compensated absences, and claims and judgements are recognized only when payment is due.

The County reports the following major Governmental Funds:

The General Fund accounts for all activities of the County not specifically required to be accounted for in other funds. Transactions are related to general government, justice, public safety, public works, health and social services, culture and recreation, and economic development.

The Countywide Road Maintenance Fund accounts for the maintenance and preservation of local roads financed with various revenue sources restricted for this purpose.

The County reports the following major Proprietary Fund:

The Solid Waste Fund accounts 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 account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds account for resources that are to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of long-term debt and federal and state grants.

#### PROPRIETARY FUND TYPE

Enterprise Funds account for operations where the intent of the County is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

SIMPSON COUNTY

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

FIDUCIARY FUND TYPE

Agency Funds account for receipt of various taxes, deposits and other monies collected or held by the County in a purely custodial capacity until distributed to other governmental units or designated beneficiaries.

D. Cash and Cash Equivalents.

Cash and cash equivalents includes bank accounts, petty cash and money market demand accounts.

E. Receivables.

Receivables represent amounts due to the County for revenue earned that will be collected sometime in the future. Receivables are reported net of allowances for uncollectible accounts where applicable.

F. Interfund Balances.

Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for residual amounts due between governmental and business-type activities, which are reported on the government-wide Statement of Net Position as "Internal Balances". Fiduciary funds' receivables and payables have been reclassified to other receivables and other payables, respectively, on the government-wide Statement of Net Position.

Transactions between funds that represent short-term lending/borrowing arrangements and transactions for which the actual transfer of cash had not occurred as of year-end are reported as "Due To/From Other Funds" on the fund financial statements.

G. Restricted Assets.

Government-wide assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets.

H. 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. 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 the costs of capital assets, other than infrastructure, have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because 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 Financial Statements  
For the Year Ended September 30, 2017

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:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
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.

I. Deferred Outflows/Inflows of Resources.

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

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

J. Pensions.

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

K. Long-term Debt.

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

SIMPSON COUNTY

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

Debt proceeds, premiums and discounts are reported as other financing sources in the governmental fund financial statements. In the government-wide financial statements, bond premiums and discounts, as well as refunding charges (the difference between the carrying amount of redeemed/defeased debt and its reacquisition price), are deferred and amortized over the life of the bonds using the effective interest method. Bonds, capital leases, and other loans payable are reported net of the applicable unamortized premium and discount while refunding charges are reported as deferred outflows or deferred inflows of resources. Issuance costs are recognized as debt service expenditures/expenses in the period incurred.

L. Compensated Absences.

County policy authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. No payment is authorized for accrued major medical leave.

The County's obligation of accumulated personal leave, up to the maximum of 30 days per employee, is reported as "compensated absences" in the government-wide financial statements, as well as the proprietary fund financial statements. In the governmental fund financial statements, only amounts that have matured at year-end due to the termination of employment of a covered employee are reported.

M. Net Position/Fund Balance.

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is reported as Net Position on the government-wide and proprietary funds financial statements and as Fund Balance on the governmental funds financial statements.

GAAP requires that net position be subdivided into three categories:

Net investment in capital assets – capital assets net of accumulated depreciation and related deferred outflows of resources reduced by outstanding balances for bonds, notes and other debt net of unspent debt proceeds and related deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position – assets and deferred outflows of resources less any related liabilities and deferred inflows of resources that are restricted externally by creditors, grantors, contributors or imposed by law through constitutional provision or enabling legislation.

Unrestricted net position – the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that is not classified as net investment in capital assets or restricted net position.

When expenses are incurred for purposes for which both restricted and unrestricted resources are available, it is the County's general policy to use restricted resources first.

Fund Balances of governmental funds are classified as:

Restricted – amounts where legally enforceable constraints are imposed by an external party such as a grantor, or by the constitution, or by the Board of Supervisors at the same time the revenue is created.

Unassigned – the residual amount of the General Fund, which is the only fund that reports a positive unassigned fund balance.

## SIMPSON COUNTY

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

When an expenditure is incurred for purposes in which all classifications of spendable fund balance are available, it is the County's general policy to use fund balances in the following order: restricted and unassigned.

#### N. Property Tax Revenues.

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

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

Real and personal property tax revenues are recognized in the year for which they are levied in accordance with GAAP. However, because the revenues are not currently available, a deferred inflow of resources is recorded for this amount. Motor vehicle and mobile home taxes do not meet the GAAP measurability and collectability criteria because the lien and due date cannot be established until the date of original purchase. Accordingly, no amount is accrued for these taxes in the financial statements.

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

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

#### (2) Stewardship, Compliance and Accountability.

Net Position Restricted by Enabling Legislation - The government-wide Statement of Net Position reports \$3,129,405 of restricted net position, which is restricted primarily by the Board of Supervisors' approval of tax levies.

#### (3) Demand Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$9,777,451, and the bank balance was \$11,337,166. Section 27-105-5, Miss. Code Ann. (1972), authorizes the State Treasurer to implement a statewide collateral pool program which secures all local public funds' deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the County would 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 managing custodial credit risk and relies on the program implemented by the State Treasurer as described in the preceding paragraph for all deposits in excess of FDIC coverage.

SIMPSON COUNTY

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

(4) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Funds:	
Legislative tag credit	\$ 282,088
MEMA	25,493
Department of Public Safety	13,731
Department of Corrections	14,140
City of Mendenhall	4,725
Department of Human Services	2,074
Commercial Mobile Radio Services Board	<u>31,257</u>
 Total	 \$ <u><u>373,508</u></u>
Business-type Activities:	
City of Mendenhall	\$ <u><u>11,653</u></u>

(5) Fines, Other and Account Receivable.

At September 30, 2017, fines, other and accounts receivable consisted of the following:

	<u>Governmental Activities</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Fines receivable	\$ 2,474,230		2,474,230
Allowance for uncollectibles	<u>(1,708,429)</u>		<u>(1,708,429)</u>
Fines receivable, net	<u><u>765,801</u></u>	<u>0</u>	<u><u>765,801</u></u>
Other receivables	<u><u>18,806</u></u>	<u><u>6,582</u></u>	<u><u>25,388</u></u>
		<u>Business-type Activities</u>	
		<u>Solid Waste Fund</u>	<u>Total</u>
Accounts receivables	\$ 1,701,185		1,701,185
Allowance for uncollectibles	<u>(1,302,139)</u>		<u>(1,302,139)</u>
Accounts receivable, net	<u><u>399,046</u></u>		<u><u>399,046</u></u>

SIMPSON COUNTY

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

(6) Capital Assets.

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

Governmental Activities

	Balance Oct. 1, 2016	Additions	Deletions	Adjustments	Balance Sept. 30, 2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,694,899				1,694,899
Construction in progress	60,880	497,037		(100,710)	457,207
Total non-depreciable capital assets	<u>1,755,779</u>	<u>497,037</u>	<u>0</u>	<u>(100,710)</u>	<u>2,152,106</u>
<u>Depreciable capital assets:</u>					
Buildings	14,979,805				14,979,805
Improvements other than buildings	740,479				740,479
Mobile equipment	4,729,737	173,583	(312,510)	(10,000)	4,580,810
Furniture and equipment	985,918	11,981	(5,150)	10,000	1,002,749
Leased property under capital leases	1,489,054	296,155			1,785,209
Infrastructure	133,214,674			100,710	133,315,384
Total depreciable capital assets	<u>156,139,667</u>	<u>481,719</u>	<u>(317,660)</u>	<u>100,710</u>	<u>156,404,436</u>
<u>Less accumulated depreciation for:</u>					
Buildings	4,524,014	232,463			4,756,477
Mobile equipment	3,553,156	231,164	(215,068)	(1,800)	3,567,452
Improvements other than buildings	202,664	29,622			232,286
Furniture and equipment	839,162	23,331	(4,635)	1,800	859,658
Leased property under capital leases	322,540	93,195			415,735
Infrastructure	86,358,062	363,032			86,721,094
Total accumulated depreciation	<u>95,799,598</u>	<u>972,807</u>	<u>(219,703)</u>	<u>0</u>	<u>96,552,702</u>
Total depreciable capital assets, net	<u>60,340,069</u>	<u>(491,088)</u>	<u>(97,957)</u>	<u>100,710</u>	<u>59,851,734</u>
Governmental Activities capital assets, net	<u>\$ 62,095,848</u>	<u>5,949</u>	<u>(97,957)</u>	<u>0</u>	<u>62,003,840</u>

Business-type Activities

<u>Depreciable capital assets:</u>					
Buildings	\$ 164,260				164,260
Mobile equipment	1,287,422	246,076	(48,000)	63,210	1,548,708
Leased property under capital leases	136,375			(63,210)	73,165
Total depreciable capital assets	<u>1,588,057</u>	<u>246,076</u>	<u>(48,000)</u>	<u>0</u>	<u>1,786,133</u>
<u>Less accumulated depreciation for:</u>					
Buildings	59,148	3,286			62,434
Mobile equipment	889,983	77,004	(12,960)	56,889	1,010,916
Leased property under capital leases	41,618	41,613		(56,889)	26,342
Total accumulated depreciation	<u>990,749</u>	<u>121,903</u>	<u>(12,960)</u>	<u>0</u>	<u>1,099,692</u>
Total depreciable capital assets, net	<u>597,308</u>	<u>124,173</u>	<u>(35,040)</u>	<u>0</u>	<u>686,441</u>
Business-type Activities capital assets, net	<u>\$ 597,308</u>	<u>124,173</u>	<u>(35,040)</u>	<u>0</u>	<u>686,441</u>

SIMPSON COUNTY

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

Depreciation expense was charged to the following functions:

Governmental Activities:	
General government	\$ 209,908
Public safety	179,335
Public works	543,123
Health and welfare	13,164
Economic development	<u>27,277</u>
Total depreciation expense - governmental activities	<u>\$ 972,807</u>
Business-type Activities:	
Public works	<u>\$ 121,903</u>

At September 30, 2017, assets recorded under capital leases were as follows:

Asset:	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 1,785,209	73,165
Less: Accumulated depreciation	<u>(415,735)</u>	<u>(26,342)</u>
Total	<u>\$ 1,369,474</u>	<u>46,823</u>

In connection with the acquisition of capital assets, the County incurred in the current year interest cost of \$358,889 in the governmental activities and \$2,075 in the business-type activities, none of which was capitalized.

(7) Deferred Outflows of Resources.

The County reports the following items in this category:

Government-wide Statement of Net Position/Proprietary Fund Statement of Net Position:

- Deferred amount on refunding - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. Refer to Note 8 for additional details.

(8) Defined Benefit Pension Plan.

General Information about the Pension Plan.

Plan Description – Simpson County is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees and officials of the County. Code Section 25-11-15, Miss. Code Ann. (1972), grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at [www.pers.ms.gov](http://www.pers.ms.gov).

## SIMPSON COUNTY

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

Benefits Provided – For those persons employed by political subdivisions and instrumentalities of the State of Mississippi membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by Section 25-11-1 et seq., Miss. Code Ann. (1972), and may be amended only by the State Legislature.

A Cost of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter.

Contributions – Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2017, member employees were required to contribute 9.00 percent of their annual pay, while the County's required contribution rate was 15.75 percent of annual covered payroll. The County's employer contributions to PERS for the years ended September 30, 2017, 2016 and 2015 were \$748,211, \$750,441 and \$732,893, respectively. The contributions for each year met the required contributions.

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

At September 30, 2017, Simpson County reported a liability of \$12,221,019 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the County's reported proportionate share was .074800%. The County, through its payroll system, submitted retirement contributions for two other governmental entities. These entities reimbursed the County for these payments. When these amounts were deducted from the amounts reported, the County's June 30, 2017 proportionate share was .073517 percent, which was a decrease of 0.000746 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

SIMPSON COUNTY

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

For the year ended September 30, 2017, Simpson County recognized pension expense of \$1,737,065.

At September 30, 2017, Simpson County reported as a component of pension expense, deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 177,357	89,173
Net difference between projected and actual earnings on pension plan investments	177,737	
Changes of assumptions	274,244	21,033
Changes in proportion and differences between entity contributions and proportionate share of contributions	(8,447)	99,414
Entity contributions subsequent to the measurement date	<u>185,598</u>	
Total	<u>\$ 806,489</u>	<u>209,620</u>

\$185,598 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 587,488	94,751
2019	241,526	86,022
2020	27,942	28,847
2021	<u>(236,065)</u>	
Total	<u>\$ 620,891</u>	<u>209,620</u>

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

Inflation	3.0 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, set forward one year for males.

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

SIMPSON COUNTY

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation		Long-term Expected Real Rate of Return	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Fixed Income	18.00		0.75	
Global	12.00		4.75	
Emerging Debt	2.00		2.25	
Real Assets	10.00		3.50	
Private Equity	8.00		5.10	
Cash	1.00		0.00	
Total	100.00	%		

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 16,028,684	\$ 12,221,019	\$ 9,059,832

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at [www.pers.ms.gov](http://www.pers.ms.gov).

SIMPSON COUNTY

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

(9) Risk Management.

Workers' Compensation Benefits.

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 with a one-time \$750,000 deductible, which completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2017 to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Long-term Debt.

Long-term Debt Outstanding at Year-End.

The County had the following types of long-term debt outstanding as of September 30, 2017:

General Obligation Bonds – General obligation bonds are issued to provide funds for the acquisition and construction of major capital facilities and are backed by the full faith, credit and taxing power of the County. The County levies a tax on all taxable property in the County in an amount adequate to meet the required principal and interest payments on the bonds.

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

Capital Leases – The County has entered into numerous lease-purchase agreements to finance the purchase of certain equipment as described below. The lease terms vary, but all agreements include a cancellation clause based on unavailability of funds.

Other Loans – The County has entered into loan agreements in order to acquire assets and to either construct or renovate county facilities.

SIMPSON COUNTY

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

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

Description and Purpose	Amount Outstanding	Interest Rate	Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2011 R&B refunding bonds	\$ 515,000	2 -3%	10/01/2019
Industrial development bonds of 2009	137,039	0.00%	05/01/2009
2014 general obligation road and bridge bond	<u>2,695,000</u>	1.875-2.625%	06/01/2024
Total General Obligation Bonds	<u>\$ 3,347,039</u>		
B. Other Long-term Obligations:			
Certificates of Participation	<u>\$ 5,960,000</u>	3.0-4.7%	11/01/2030
C. Capital Leases:			
Wheel loader	\$ 42,431	1.78%	04/12/2020
3 Mack dump trucks	205,839	2.29%	06/11/2019
Loader	78,597	2.15%	09/18/2019
Loader	78,653	2.15%	09/18/2019
Two John Deere tractors	90,907	1.74%	07/01/2019
Two motor graders	372,163	2.19%	03/19/2020
Tandem axle dump truck	121,633	1.73%	09/04/2020
Two single axle dump trucks	183,252	1.73%	10/26/2020
Loaders	187,240	1.84%	12/09/2020
Excavator	<u>97,421</u>	2.42%	08/30/2021
Total Capital Leases	<u>\$ 1,458,136</u>		
Business-type Activities:			
Wheel loader	\$ 32,262	1.90%	06/01/2020
Trailer	<u>54,789</u>	1.87%	08/04/2021
Total Business-type Activities	<u>\$ 87,051</u>		
D. Other Loans:			
Chancery Building renovation	\$ 68,787	2.37%	01/01/2021
CAP Loan - fire truck	<u>6,789</u>	2.00%	06/01/2018
Total Other Loans	<u>\$ 75,576</u>		

SIMPSON COUNTY

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

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

Governmental Activities:

<u>Year Ending September 30:</u>	<u>General Obligation Bonds</u>		<u>Other Long-term Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 564,816	67,794	330,000	245,895
2019	582,223	54,988	340,000	235,001
2020	255,000	42,500	350,000	222,920
2021	465,000	37,718	365,000	209,732
2022	480,000	29,000	375,000	195,388
2023-2027	1,000,000	30,100	2,125,000	727,361
2028-2031			2,075,000	200,575
Total	\$ <u>3,347,039</u>	<u>262,100</u>	<u>5,960,000</u>	<u>2,036,872</u>

<u>Year Ending September 30:</u>	<u>Other Loans</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 23,386	1,696	215,921	27,615
2019	16,991	1,237	386,131	22,279
2020	17,393	834	598,001	10,200
2021	17,806	422	258,083	2,616
Total	\$ <u>75,576</u>	<u>4,189</u>	<u>1,458,136</u>	<u>62,710</u>

Business-type Activities:

<u>Year Ending September 30:</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 24,210	1,404
2019	25,888	989
2020	24,446	474
2021	12,507	110
Total	\$ <u>87,051</u>	<u>2,977</u>

Legal Debt Margin – The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation increases to 20% whenever a County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2017, the amount of outstanding debt was equal to 3.98% of the latest property assessments.

SIMPSON COUNTY

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

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

	Balance Oct. 1, 2016	New Debt	Payments	Balance Sept. 30, 2017	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 326,722	2,203	0	328,925	0
General obligation bonds	3,794,261		447,222	3,347,039	564,816
Less: refunding charge and premium	12,606		3,340	9,266	
Net general obligation bonds	3,806,867	0	450,562	3,356,305	564,816
<b>Other long-term obligations:</b>					
Certificates of participation	6,280,000		320,000	5,960,000	330,000
Capital leases	1,360,729	296,155	198,748	1,458,136	215,921
Other Loans	159,386		83,810	75,576	23,386
<b>Total</b>	<b>\$ 11,933,704</b>	<b>298,358</b>	<b>1,053,120</b>	<b>11,178,942</b>	<b>1,134,123</b>
<b>Business-type Activities:</b>					
Compensated absences	\$ 18,504	3,367	0	21,871	0
Capital leases	113,114	0	26,063	87,051	24,210
<b>Total</b>	<b>\$ 131,618</b>	<b>3,367</b>	<b>26,063</b>	<b>108,922</b>	<b>24,210</b>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, the E-911 fund, the countywide road maintenance fund and the solid waste fund.

(11) Deferred Inflows of Resources.

The County reports the following items in this category:

Government-wide Statement of Net Position:

- Property tax for future reporting period - This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.
- Deferred inflows of resources related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. Refer to Note 8 for additional details.

Governmental Funds Balance Sheet:

- Property tax for future reporting period - This item results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.
- Unavailable revenue-fines - This amount represents the portion of fines receivable that does not meet the *current financial resources* criteria, and accordingly, will not be available until a future reporting period.

SIMPSON COUNTY

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

(12) Operating Leases.

At September 30, 2017, assets leased under these leases are as follows:

As Lessor:

The County receives income from property it leases under a noncancellable operating lease. Total income from such lease was \$45,000 for the year ended September 30, 2017. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30:</u>	<u>Amount</u>
2018	\$ 45,000
2019	45,000
2020	45,000
2021	45,000
2022	<u>45,000</u>
Total Minimum Payments Required	<u>\$ 225,000</u>

(13) Other Postemployment Benefits.

The Simpson County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Miss. 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 prospectively, which requires a reporting on an accrual basis the liability associated with other postemployment benefits. The County does not issue a publicly available financial report for the Plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(14) Interfund Transactions and Balances.

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

A. Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 5,000
Countywide Road Maintenance Fund	General Fund	46,235
Other Governmental Funds	General Fund	23,705
Agency Funds	General Fund	<u>20,019</u>
Total		<u>\$ 94,959</u>

Amounts listed are the tax revenues, circuit court fees and justice court fees collected in September, 2017, but not settled until October, 2017 and a temporary loan to cover a cash deficit

SIMPSON COUNTY

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

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	Other Governmental Funds	\$ 3,469
Other Governmental Funds	General Fund	53,587
Total		\$ 57,056

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

(15) 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 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 \$158,562 in fiscal year 2017. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 100 Tamberline St., Brandon, MS 39042.

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 \$118,461 in fiscal year 2017. 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

(16) 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 \$1,288,572 for the maintenance and support of the college in fiscal year 2017.

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 2017.

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 \$14,151 for the support of the district in fiscal year 2017.

SIMPSON COUNTY

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

(17) 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.

(18) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$4,293,593) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$757,179 balance of deferred outflow of resources at September 30, 2017, will be recognized as an expense and will decrease the unrestricted net position over the next four years and the \$200,249 balance of deferred inflows of resources at September, 30 2017, will be recognized as a reduction in pension expense and will increase the unrestricted net position over the next three years.

The governmental activities' net investment in capital assets net position of \$51,157,295 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$3,473 of deferred outflows of resources at September 30, 2017, will be recognized as an expense and will decrease the net investment in capital assets net position over the next three years.

The business-type activities' restricted for public works net position amount of (\$352,676) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$49,310 balance of deferred outflow of resources at September 30, 2017, will be recognized as an expense and will decrease the restricted for public works net position over the next four years and the \$9,371 balance of deferred inflows of resources at September, 30 2017, will be recognized as a reduction in pension expense and will increase the restricted for public works net position over the next three years.

(19) Tax Abatements.

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

The Simpson County Board of Supervisors negotiates property tax abatements on an individual basis. All abatements are for ten years and are for economic development purposes. The County had tax abatement agreements with five entities as of September 30, 2017.

SIMPSON COUNTY

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

The County had two types of abatements, none of which provides for the abatement of school or state tax levies:

Sections 27-31-101 and 27-31-105, Miss. Code (Ann.) 1972

All allowable property tax levies.

There are four companies that have tax abatements under these statutes.

Section 27-31-104, Miss. Code (Ann.) 1972

Payments in lieu of taxes

There is one company that has a tax abatement under this statute.

<u>Category</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Construction and expansion of a manufacturing facility	87.00%	\$ 184,342
Construction and expansion of a storage facility	66.66%	\$ 1,348,594

The companies were not required to comply with any special provisions in order to receive the abatements and the County made no commitments as part of the agreements other than to reduce taxes.

(20) Subsequent Events.

GAAP requires the County to evaluate events that occur subsequent to the date of the Statement of Net Position but before the financial statements are issued (subsequent events). Such events that provide additional evidence with respect to conditions that existed as of the Statement of Net Position date are recognized in the accompanying financial statements. However, subsequent events that provide evidence with respect to conditions that did not exist at the Statement of Net Position date, but arose subsequently, and are of such a nature that their disclosure is essential to the user's understanding of the financial statements, are required to be disclosed herein. Management of Simpson County evaluated the County's activity and events that occurred through September 14, 2018, and determined that the following subsequent events meet the disclosure requirements:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/01/2017	2.24%	\$ 49,964	Lease purchase	Ad valorem taxes
12/01/2017	2.48%	\$ 82,582	Lease purchase	Ad valorem taxes
12/28/2017	2.9-4%	\$ 6,077,000	Refinancing of bond	Ad valorem taxes
08/01/2018	3.08%	\$ 103,115	Lease purchase	Solid waste fees

On July 1, 2018, the County assumed ownership of the Simpson County Water Park. The buildings and land had been previously owned by the Pearl River Basin Development District. The entity will be considered a discretely presented component unit of the County.

SIMPSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 6,195,630	6,442,569	6,442,569	
Licenses, commissions and other revenue	275,150	338,588	338,588	
Fines and forfeitures	704,750	642,093	642,093	
Intergovernmental revenues	800,375	560,220	560,220	
Charges for services	100,000	60,152	60,352	200
Interest income	8,700	17,139	19,019	1,880
Miscellaneous revenues	130,100	120,929	127,060	6,131
Total Revenues	<u>8,214,705</u>	<u>8,181,690</u>	<u>8,189,901</u>	<u>8,211</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,382,329	3,148,475	3,148,304	171
Public safety	3,616,241	3,521,505	3,469,630	51,875
Health and welfare	145,801	133,704	133,704	
Culture and recreation	241,062	236,947	236,947	
Conservation of natural resources	103,703	107,851	107,851	
Economic development and assistance	14,151	14,151	14,151	
Debt service:				
Principal	671,315	670,873	408,900	261,973
Interest			259,473	(259,473)
Service charge			2,500	(2,500)
Total Expenditures	<u>8,174,602</u>	<u>7,833,506</u>	<u>7,781,460</u>	<u>52,046</u>
Excess of Revenues Over (Under) Expenditures	<u>40,103</u>	<u>348,184</u>	<u>408,441</u>	<u>60,257</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	44,695	6,563	1,040	(5,523)
Transfers out	(88,895)	(6,693)	(58,587)	(51,894)
Total Other Financing Sources and Uses	<u>(44,200)</u>	<u>(130)</u>	<u>(57,547)</u>	<u>(57,417)</u>
Net Change in Fund Balance	(4,097)	348,054	350,894	2,840
Fund Balances - Beginning	<u>5,650,000</u>	<u>5,660,286</u>	<u>5,658,352</u>	<u>(1,934)</u>
Fund Balances - Ending	<u>\$ 5,645,903</u>	<u>6,008,340</u>	<u>6,009,246</u>	<u>906</u>

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

SIMPSON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Maintenance Fund  
 For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,448,340	1,537,650	1,537,650	
Road and bridge privilege taxes	325,000	324,932	324,932	
Intergovernmental revenues	737,759	764,290	764,290	
Interest income	250	1,507	1,328	(179)
Miscellaneous revenues	10,000	14,253	14,253	
Total Revenues	<u>2,521,349</u>	<u>2,642,632</u>	<u>2,642,453</u>	<u>(179)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	2,358,790	2,655,387	2,656,647	(1,260)
Debt service:				
Principal	205,000	199,077	172,223	26,854
Interest			25,592	(25,592)
Total Expenditures	<u>2,563,790</u>	<u>2,854,464</u>	<u>2,854,462</u>	<u>2</u>
Excess of Revenues Over (Under) Expenditures	<u>(42,441)</u>	<u>(211,832)</u>	<u>(212,009)</u>	<u>(177)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued			194,700	194,700
Proceeds from sale of capital assets			108,095	108,095
Other financing sources	50,000	332,094	29,299	(302,795)
Total Other Financing Sources and Uses	<u>50,000</u>	<u>332,094</u>	<u>332,094</u>	<u>0</u>
Net Change in Fund Balance	7,559	120,262	120,085	(177)
Fund Balances - Beginning	<u>1,000,000</u>	<u>868,287</u>	<u>868,261</u>	<u>(26)</u>
Fund Balances - Ending	<u>\$ 1,007,559</u>	<u>988,549</u>	<u>988,346</u>	<u>(203)</u>

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

SIMPSON COUNTY  
 Schedule of the County's Proportionate Share of the Net Pension Liability  
 For the Year Ended September 30, 2017  
 Last 10 Fiscal Years \*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	\$ 12,221,019	13,265,228	11,479,132	9,048,155
County's proportionate share of the net pension liability (asset)	0.073517 %	0.074263 %	0.07426 %	0.074543 %
County's covered payroll	\$ 4,739,682	4,750,761	4,639,321	4,554,978
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	257.8447035 %	279.2232234 %	247.43 %	198.6432207 %
Plan fiduciary net position as a percentage of the total pension liability	61.49 %	57.467727 %	61.703983 %	67.207687 %

\* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ended September 30, 2015, and until a full 10-year trend is compiled, the County has only presented information for the years in which information was available.

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

SIMPSON COUNTY

Schedule of the the County's Contributions

For the Year Ended September 30, 2017

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 748,211	750,441	732,893	691,963
Contributions in relation to the contractually required contribution	748,211	750,441	732,893	691,963
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>
County covered payroll	\$ 4,750,547	4,764,705	4,653,289	4,393,416
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ended September 30, 2015, and until a full 10-year trend is compiled, the Count has only presented information for the years in which information was available

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

## SIMPSON COUNTY

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

(1) Budget.

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 and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

SIMPSON COUNTY

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

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>
Net Change in Fund Balance - Budget (Cash Basis)	\$ 350,894	120,085
Increase (decrease):		
Net adjustments for revenue accruals	(17,161)	(14,191)
Net adjustments for expenditure accruals	844	(28,262)
Net adjustments for other financing sources/uses accruals	<u>5,000</u>	<u>(29,299)</u>
Net Change in Fund Balance GAAP Basis	<u>\$ 339,577</u>	<u>48,333</u>

Any line item that had a variance was the result of audit reclassification entries and closing entries after the amended budget had been approved.

- (2) Schedule of the County's Proportionate Share of the Net Pension Liability and Schedule of the County's Contributions.

Changes in Benefit Provisions.

2016

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

Changes of Assumptions

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

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

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

SIMPSON COUNTY

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

2016

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

2017

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

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

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

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

SIMPSON COUNTY

OTHER INFORMATION

SIMPSON COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2017 - UNAUDITED

Name	Position	Company	Bond
Curtis Skiffer	Supervisor, District 1	Western Surety	\$100,000
Danny Craft	Supervisor, District 2	Western Surety	\$100,000
Brian Kennedy	Supervisor, District 3	RLI	\$100,000
Mickey Berry	Supervisor, District 4	Western Surety	\$100,000
Randy Moore	Supervisor, District 5	RLI	\$100,000
Rhuel Dickinson	County Administrator	RLI	\$100,000
Tommy Joe Harvey	Chancery Clerk	RLI	\$100,000
Regina Evans	Purchase Clerk	Western Surety	\$75,000
Loretta Sims	Receiving Clerk	RLI	\$75,000
Rhuel Dickinson	Assistant Purchase Clerk	RLI	\$50,000
James Anderson	Assistant Receiving Clerk	Western Surety	\$50,000
Steve Harper	Assistant Receiving Clerk	Western Surety	\$50,000
Eric Bowen	Inventory Control Clerk	State Farm	\$75,000
Ben Warren	Road Manager	Western Surety	\$50,000
Dan Easterling	Constable	RLI	\$50,000
Randall Coleman	Constable	RLI	\$50,000
Steve Womack	Circuit Clerk	RLI	\$100,000
Barbara Sullivan	Deputy Circuit Clerk	RLI	\$50,000
Lu Ann Bailey	Deputy Circuit Clerk	State Farm	\$50,000
Stephanie Berry	Deputy Circuit Clerk	State Farm	\$50,000
Tangela Sherman	Deputy Circuit Clerk	RLI	\$50,000
Donald O'Cain	Sheriff	Western Surety	\$100,000
Scott Womack	Sheriff's Deputy	Western Surety	\$50,000
Chris Jones	Sheriff's Deputy	RLI	\$50,000
Christopher Wallace	Sheriff's Deputy	Western Surety	\$50,000
Donnie McGovern	Sheriff's Deputy	Western Surety	\$50,000
Eddie McCabe	Sheriff's Deputy	Western Surety	\$50,000
Greg Reynolds	Sheriff's Deputy	State Farm	\$50,000
James Morehead	Sheriff's Deputy	State Farm	\$50,000
Jeff Smith	Sheriff's Deputy	Western Surety	\$50,000
Joe Andrews	Sheriff's Deputy	Western Surety	\$50,000
John Kilpatrick	Sheriff's Deputy	Western Surety	\$50,000
Kathryn McMillan	Sheriff's Deputy	Western Surety	\$50,000
Kelvin Jenkins	Sheriff's Deputy	Western Surety	\$50,000
Marvin Miller	Sheriff's Deputy	State Farm	\$50,000
William Bryan Buckley	Sheriff's Deputy	Western Surety	\$50,000
William Carroll	Sheriff's Deputy	State Farm	\$50,000
Josh Bryant	Sheriff's Deputy	RLI	\$50,000
Billy Seghini	Sheriff's Deputy	Western Surety	\$50,000
Eugene Knight	Justice Court Judge	RLI	\$50,000
Ted Blakeney	Justice Court Judge	RLI	\$50,000
Joyce Hicks	Justice Court Clerk	Western Surety	\$50,000
Brandy Shepherd	Deputy Justice Court Clerk	State Farm	\$50,000
Lashunda Mabry	Deputy Justice Court Clerk	Western Surety	\$50,000
Theja Abernathy	Deputy Justice Court Clerk	State Farm	\$50,000

(Continued)

SIMPSON COUNTY  
 Schedule of Surety Bonds for County Officials  
 For the Year Ended September 30, 2017 - UNAUDITED

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Charles Baldwin	Tax Collector-Assessor	RLI	\$100,000
Alisha Walker	Tax Collector-Assessor Deputy	RLI	\$50,000
Amanda Daughdrill	Tax Collector-Assessor Deputy	RLI	\$50,000
Carolyn Williams	Tax Collector-Assessor Deputy	Western Surety	\$50,000
Dawn Bradshaw	Tax Collector-Assessor Deputy	State Farm	\$50,000
Jamie Brewer	Tax Collector-Assessor Deputy	RLI	\$50,000
Kathy Cole Kennedy	Tax Collector-Assessor Deputy	Western Surety	\$50,000
Naomi Nicole McCallum	Tax Collector-Assessor Deputy	Western Surety	\$50,000
Shay McNeil	Tax Collector-Assessor Deputy	RLI	\$50,000

SIMPSON COUNTY

SPECIAL REPORTS

# Windhamd and Lacey, PLLC

*Certified Public Accountants*

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Mississippi Society of CPAs

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, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 14, 2018. The report is qualified on the governmental activities, the business-type activities and the 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.

### **Internal Control Over Financial Reporting**

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

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2017-001 to be a material weakness.

## **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 Response to Finding**

Simpson County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Simpson County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Windham and Lacey, PLLC  
September 14, 2018

# Windham and Lacey, PLLC

*Certified Public Accountants*

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

Members of the Board of Supervisors  
Simpson County, Mississippi

We have examined Simpson County, Mississippi's 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, 2017. 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.

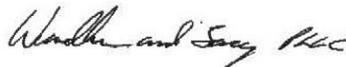
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered 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 the 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, 2017.

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

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



Windham and Lacey, PLLC  
September 14, 2018

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

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Acceptance</u>
10/17/2016	26-foot trailer	\$ 34,000	Lapine Trucks and Trailers of Jackson	Included electric tarp

SIMPSON COUNTY  
 Schedule of Emergency Purchases  
 For the Year Ending September 30, 2017

Schedule 2

The results of our test indicated the following emergency purchases.

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
09/29/2017	Bridge closure signs	\$ 19,797	Custom Products Corp.	Bridges closed by order of state
06/29/2017	Used garbage truck	\$ 49,000	Ellis Truck and Equipment Sales, Inc.	Garbage trucks broken

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

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason</u>
04/03/2017	Gearbox for boom truck	\$ 10,038	Hol-Mac Corp.	Fits truck
05/26/2017	Lifepacks and instructions	\$ 49,732	Physio-Control, Inc.	Only vendor
10/07/2016	Election equipment	\$ 32,691	ES&S	Compatible equipment
10/07/2016	Election equipment	\$ 31,508	ES&S	Compatible equipment
12/28/2016	Election equipment	\$ 5,181	ES&S	Compatible equipment

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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Simpson County, Mississippi

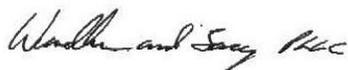
In planning and performing our audit of the financial statements of Simpson County, Mississippi for the year ended September 30, 2017, we considered Simpson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements 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 September 14, 2018, on the financial statements of Simpson County, Mississippi.

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

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 County 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.



Windham and Lacey, PLLC  
September 14, 2018

SIMPSON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SIMPSON COUNTY

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

Section 1: Summary of Auditor's Results

*Financial Statements:*

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements:                        |               |
|    | Governmental Activities   | Qualified     |
|    | Business-type Activities  | Qualified     |
|    | General Fund  | Unmodified    |
|    | Countywide Road Maintenance Fund  | Unmodified    |
|    | Aggregate remaining fund information  | Unmodified    |
|    | Garbage and Solid Waste Fund  | Qualified     |
| 2. | Internal control over financial reporting:  |               |
| a. | Material weakness identified?   | Yes           |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to the financial statements?                                 | No            |

Section 2: Financial Statement Findings

Board of Supervisors

Material Weakness

2017-001. Liability for other postemployment 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 four years' audit reports, 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.

## SIMPSON COUNTY

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

#### 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 County's employee insurance is a group policy and the Board of Supervisors has allowed the retirees to participate in the plan until they reach the age of sixty-five, with the retirees paying the same premium as an active employee. Historically, the County has had no more than five percent of the plan participants as retirees. Currently, there are four people on the plan. Because the County requires the retirees to pay the full premium for the insurance, it is our position there is no liability to the County and even if there is, it would not be material to the financial statements of the County. Because of that, the Board of Supervisors has determined that it is not cost effective to have an actuarial valuation performed annually for reporting other postemployment benefits.